This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

<u>*New Issue*</u>

May 26, 1983

$280,000,000
(14,000,000 shares)

THE ROYAL BANK OF CANADA

$1.45 First Preferred Shares Series B
(cumulative and redeemable and convertible when tendered with Common Share Warrants)
with
Common Share Warrants

Common Share Warrants

Holders of First Preferred Shares Series B of record at the close of business on July 8, 1983 will receive a certificate for one-half of a Warrant for each First Preferred Share Series B held.

One whole Warrant will entitle the holder to purchase one Common Share of the Bank at a price of $40 on or prior to June 9, 1988, subject to adjustment in certain events.

In addition, holders of Warrants will have the option to tender, on or prior to the expiration of the Warrants, First Preferred Shares Series B, in lieu of cash, thus converting such First Preferred Shares Series B into Common Shares of the Bank. One whole Warrant and two First Preferred Shares Series B will entitle the holder thereof to receive one Common Share of the Bank upon such conversion, subject to adjustment in certain events.

The Montreal Exchange and The Toronto Stock Exchange have conditionally approved the listing of the First Preferred Shares Series B and the Warrants. Listing is subject to the Bank fulfilling all of the requirements of these exchanges on or before August 22, 1983, including distribution of these securities to a minimum number of public shareholders.

In the opinion of counsel the First Preferred Shares Series B will qualify for investment under certain statutes as set out under "Eligibility for Investment".

Price: $20 per share to yield 7.25% per annum

We, as principals, conditionally offer the First Preferred Shares Series B, subject to prior sale, if, as and when issued by the Bank and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Bank by G. Harold Pickel, Assistant General Counsel, Corporate, of the Bank and on our behalf by Ogilvy, Renault, Montreal.

	Price to public	Aggregate proceeds to the Bank	Underwriting fee	Net proceeds to the Bank (1)
Per share — on original subscription	$20.00	$20.00	$0.60	$19.40
— on over-allotment (2)	$20.00	$20.00	$0.48	$19.52
Total — minimum	$280,000,000	$280,000,000	$8,400,000	$271,600,000
— maximum (2)	$300,000,000	$300,000,000	$8,880,000	$291,120,000

(1) Before deduction of expenses of issue payable by the Bank, estimated at $400,000. These expenses and the underwriting fee will each be paid out of the general corporate funds of the Bank.

(2) The Bank has granted to the Underwriters an option to purchase up to a maximum of 1,000,000 additional First Preferred Shares Series B to cover over-allotments. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates for the First Preferred Shares Series B will be available for delivery on June 9, 1983.

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All dollar amounts in this prospectus are in Canadian currency unless otherwise indicated. As stated in Note 1 to the Consolidated Financial Statements, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; revenue and expenses denominated in foreign currencies are translated at the prevailing quarter-end rates.

Financial information in this prospectus with respect to periods prior to November 1, 1981 has been restated to conform with the present accounting requirements of the Bank Act (Canada).

All per Common Share amounts and numbers of Common Shares have been restated to reflect the two-for-one split effected in March 1981.

THE ROYAL BANK OF CANADA

$1.45 First Preferred Shares Series B

(cumulative and redeemable and convertible when tendered with Common Shares Warrants)

DECLARATION OF OWNERSHIP OF BANK SHARES

Instructions

(a) This declaration is required in connection with the restrictions on issue and transfer of shares of a bank referred to under "Restraints on Bank Shares under the Bank Act" in the Prospectus dated May 26, 1983 for the issue of the above captioned First Preferred Shares Series B.

(b) This declaration is to be completed by the purchaser in whose name the First Preferred Shares Series B are to be registered; if there is more than one purchaser, a separate declaration is to be completed by each of them.

(c) This declaration is to be signed as follows:

(i) if the purchaser is an individual, by the individual,

(ii) if the purchaser is a corporation, partnership, association, trust or other organization, by a responsible officer or partner thereof.

In connection with the distribution of $1.45 First Preferred Shares Series B (the "First Preferred Shares Series B") of The Royal Bank of Canada (the "Bank"), the purchaser named below declares:

1. I have purchased First Preferred Shares Series B which are to be registered in my name.

2. I am not an agent (as defined under section 109(1) of the Bank Act (Canada) on the reverse hereof) of Her Majesty the Queen in right of Canada or in right of a province of Canada or an agent of the government of a foreign state or any political subdivision thereof.

(If item 3 is applicable, strike out item 4.)

3. The number of $1.88 Cumulative Redeemable First Preferred Shares Series A (the "First Preferred Shares Series A") presently registered in my name (if any) and of First Preferred Shares Series B to be registered in my name does not exceed in the aggregate 5,000 shares.

(If item 3 is not applicable, strike out item 3.)

4. Within the meaning of the definitions of the Bank Act (Canada) on the reverse hereof,

(a) I am a ☐ resident or ☐ non-resident of Canada (please check *one* box) (√);

(b) the number of First Preferred Shares Series A and First Preferred Shares Series B that will be held or beneficially owned by me and by other persons associated with me will not exceed in the aggregate 1,900,000 shares;

(c) I am not associated with any other holder of First Preferred Shares Series A nor any other purchaser of First Preferred Shares Series B, except as follows: (if none, insert "NONE")

DATED the day of , 198 .

Name of Purchaser (please print)	Signature of Purchaser or Responsible Officer or Partner of the Purchaser
Address of Purchaser (please print)	Name of Responsible Officer or Partner of the Purchaser (please print)

BANK ACT (CANADA)

Excerpts from Sections 109 and 110

Definitions

109. (1) In this section and sections 110 to 114,

"agent"

"agent" means

(a) in relation to Her Majesty in right of Canada or in right of a province, any agent of Her Majesty in either such right and includes a municipal or public body empowered to perform a function of government in Canada or any corporation empowered to perform a function or duty on behalf of Her Majesty in either such right but does not include

(i) an official or corporation performing a function or duty in connection with the administration or management of the estate or property of an individual,

(ii) an official or corporation performing a function or duty in connection with the administration, management or investment of a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to individuals, or moneys derived from such a fund,

(iii) the trustees of any trust for the administration of a fund to which Her Majesty in either such right contributes and of which an official or corporation that is a servant or agent of Her Majesty in either such right is a trustee, or

(iv) any other corporation owned or controlled by Her Majesty in either such right that is not an agent of Her Majesty and is not empowered to perform a function or duty on behalf of Her Majesty, and

(b) in relation to the government of a foreign state or any political subdivision thereof, a person empowered to perform a function or duty on behalf of the government of the foreign state or any political subdivision thereof other than a function or duty in connection with the administration or management of the estate or property of an individual;

"corporation"

"corporation" includes an association, partnership or other organization;

"non-resident"

"non-resident" means

(a) an individual who is not ordinarily resident in Canada,

(b) a corporation incorporated, formed or otherwise organized, elsewhere than in Canada,

(c) the government of a foreign state or any political subdivision thereof, or an agent of either,

(d) a corporation that is controlled directly or indirectly by non-residents as defined in any of paragraphs *(a)* to *(c)*,

(e) a trust

(i) established by a non-resident as defined in any of paragraphs *(b)* to *(d)* other than a trust for the administration of a pension fund for the benefit of individuals a majority of whom are residents, or

(ii) in which non-residents as defined in any of paragraphs *(a)* to *(d)* have more than fifty per cent of the beneficial interest, or

(f) a corporation that is controlled directly or indirectly by a trust described in paragraph *(e)*;

"resident"

"resident" means an individual, corporation or trust that is not a non-resident.

Associated shareholder

(2) For the purposes of sections 110 to 114, a shareholder is, except as provided by subsection (7), deemed to be associated with another shareholder if

(a) one shareholder is a corporation of which the other shareholder is an officer or director;

(b) one shareholder is a partnership of which the other shareholder is a partner;

(c) one shareholder is a corporation that is controlled directly or indirectly by the other shareholder;

(d) both shareholders are corporations and one shareholder is controlled directly or indirectly by the same government in Canada, foreign government or individual or corporation that controls the other shareholder;

(e) both shareholders are members of a voting trust where the trust relates to shares of the bank;

(f) each shareholder is an agent of Her Majesty in right of Canada or an official, trustee or corporation referred to in any of subparagraphs *(a)*(ii) to (iv) of the definition "agent" in subsection (l);

(g) both shareholders are trustees of any trusts for the administration of funds to which Her Majesty in right of Canada contributes and of which no official or corporation that is a servant or agent of Her Majesty in such right is a trustee;

(h) each shareholder is Her Majesty or an agent of Her Majesty in right of a province or an official, trustee or corporation referred to in any of subparagraphs *(a)*(ii) to (iv) of the definition "agent" in subsection (l);

(i) both shareholders are trustees of any trusts for the administration of funds to which Her Majesty in right of a particular province contributes and of which no official or corporation that is a servant or agent of Her Majesty in right of that province is a trustee;

(j) one shareholder is a local cooperative credit society and the other shareholder is a central cooperative credit society of which the first shareholder is a member;

(k) both shareholders are local cooperative credit societies that are members of the same central cooperative credit society;

(l) one shareholder is a central cooperative credit society, the other shareholder is a federation of cooperative credit societies of which the first shareholder is a member, and both shareholders are incorporated or organized by or pursuant to legislation enacted by the same legislative body;

(m) both shareholders are central cooperative credit societies that are members of the same federation of cooperative credit societies, and both shareholders and the federation of cooperative credit societies are incorporated or organized by or pursuant to legislation enacted by the same legislative body;

(n) one shareholder is associated, within the meaning of paragraphs *(a)* to *(m)*, with one or more other shareholders and, together with that or those other shareholders, owns more than fifty per cent of the voting shares of a particular corporation, and the other shareholder is the particular corporation; or

(o) both shareholders are associated within the meaning of paragraphs *(a)* to *(n)* with the same shareholder.

Application of sections 109 to 114 to Her Majesty in provincial right

(3) For the purposes of this section and sections 110 to 114,

(a) Her Majesty in right of a province or an agent of Her Majesty in such right is included within the expression "person" as used in those sections; and

(b) in relation to the holdings of shares of a bank, Her Majesty in right of a province, agents of Her Majesty in such right and corporations owned or controlled by Her Majesty in such right are associated with Her Majesty in right of any other province, agents of Her Majesty in right of any other province and corporations owned or controlled by Her Majesty in right of any other province.

Meaning of "shareholder" and shares being held

(4) For the purposes of this section and sections 110 to 114, a "shareholder" is a person who according to the central securities register of a bank is the holder of one or more shares of the bank and a reference in sections 110 to 114 to a share being held by or in the name of any person is a reference to his being the holder of the share according to the central securities register of the bank.

Shares held jointly

(5) For the purposes of sections 110 to 114, where a share of a bank is held jointly and one or more of the joint holders thereof is a non-resident, the share is deemed to be held by a non-resident.

Exceptions

(7) Notwithstanding subsection (2),

(a) where one shareholder who is a resident and is not a shareholder described in any of paragraphs (2)*(f)* to *(i)* and who, but for this paragraph, would be deemed to be associated with another shareholder submits to a bank a declaration stating that none of the shares of the bank held by him or to be held by him is or will be, to his knowledge, held in the right of or for the use or benefit of himself or any person with whom, but for this paragraph, he would be deemed to be associated, neither shareholder is deemed to be associated with the other so long as the shares of the bank from time to time held by the shareholder who made the declaration are not held contrary to the statements made in the declaration;

(b) two shareholders that are corporations and at least one of which is a resident shall not be deemed to be associated with each other by virtue of paragraph (2)*(o)* by reason only that each is deemed under paragraph (2)*(a)* to be associated with the same shareholder;

(c) where it appears from the central securities register of a bank that the number of shares held by a shareholder does not exceed one-tenth of one per cent of the total number of issued and outstanding shares of the bank, that shareholder shall not be deemed to be associated with any other shareholder and no other shareholder shall be deemed to be associated with him.

Limit on shares held by non-residents

110. (1) A bank shall refuse to register in the securities register of the bank a transfer of any share of a class of shares of the bank to a non-resident

(a) if, when the total number of shares of that class of shares held by non-residents exceeds twenty-five per cent of the total number of issued and outstanding shares of that class, the transfer would increase the percentage of such shares held by non-residents; or

(b) if, when the total number of shares of that class of shares held by non-residents is twenty-five per cent or less of the total number of issued and outstanding shares of that class, the transfer would cause the total number of shares of that class held by non-residents to exceed twenty-five per cent of the total number of issued and outstanding shares of that class.

Limits on shares held by any person

(3) A bank shall refuse to register in the securities register of the bank a transfer of any share of a class of shares of the bank to any person

(a) if, when the total number of shares of that class of shares held by such person and by other shareholders associated with him, if any, exceeds ten per cent of the total number of the issued and outstanding shares of that class, the transfer would increase the percentage of shares of that class held by such person and by other shareholders associated with him, if any; or

(b) if, when the total number of shares of that class of shares held by such person and by other shareholders associated with him, if any, is ten per cent or less of the total number of issued and outstanding shares of that class, the transfer would cause the total number of shares of that class held by such person and by other shareholders associated with him, if any, to exceed ten per cent of the issued and outstanding shares of that class.

No shares to be transferred to a government

(4) A bank shall refuse to register in the securities register of the bank a transfer of any share of a class of shares of the bank to

(a) Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right, or

(b) the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state or any political subdivision thereof.

Issue of shares

(5) A bank shall not issue a share of the bank to a person in circumstances where, if the issue to that person were a transfer of that share, the bank would be required to refuse to register the transfer of the share by virtue of any of subsections (1) to (4).

Prospectus Summary
The Offering

Issue:	$280,000,000 consisting of 14,000,000 $1.45 Cumulative Redeemable First Preferred Shares Series B convertible when tendered with Common Share Warrants (the "First Preferred Shares Series B"). An additional 1,000,000 First Preferred Shares Series B may be issued to cover over-allotments.
Issue Price:	$20 per First Preferred Share Series B.
Dividends:	Fixed, cumulative preferred dividends of $1.45 per share per annum, payable quarterly on the 24th day of February, May, August and November. Assuming an issue date of June 9, 1983, an initial dividend of $0.3019 per share will be payable on August 24, 1983, when declared by the Board of Directors.
Common Share Warrants:	Holders of First Preferred Shares Series B of record at the close of business on July 8, 1983 will receive a certificate for one-half of a Warrant for each First Preferred Share Series B held. One whole Warrant will entitle the holder to purchase one Common Share of the Bank at a price of $40 on or prior to June 9, 1988, subject to adjustment in certain events. In addition, holders of Warrants will have the option to tender, on or prior to the expiration of the Warrants, First Preferred Shares Series B, in lieu of cash, thus converting such First Preferred Shares Series B into Common Shares of the Bank. One whole Warrant and two First Preferred Shares Series B will entitle the holder thereof to receive one Common Share of the Bank upon such conversion, subject to adjustment in certain events.
Redemption at the Bank's Option:	The First Preferred Shares Series B will not be redeemable on or prior to June 9, 1988. Thereafter the Bank will have the option to redeem the First Preferred Shares Series B in whole or in part at $21 per share reducing by $0.20 per year until June 9, 1993, and thereafter at $20; together in each case with accrued and unpaid dividends. Redemption is subject to the satisfaction of certain statutory requirements including the consent of the Inspector General of Banks.
Priority:	The First Preferred Shares Series B will rank on a parity with all other series of First Preferred Shares of the Bank and prior to the Bank's Second Preferred Shares and Common Shares.

		12 months ended January 31, 1983
Earnings Coverage:	Maximum annual dividend requirements on the First Preferred Shares Series A and Series B	12.0 times
	Maximum annual aggregate debenture interest and grossed-up dividend requirements on the First Preferred Shares Series A and Series B	2.9 times

		As at January 31, 1983
Asset Coverage:	First Preferred Shares Series A and Series B	7.2 times
	Debentures and First Preferred Shares Series A and Series B	2.8 times

Application of Proceeds:	The net proceeds from this issue of First Preferred Shares Series B will be added to the Bank's general funds and will be utilized for general banking purposes. This issue will enlarge the Bank's primary capital base.

The Royal Bank of Canada

The Bank is the largest Canadian chartered bank and ranks fourth among North American banks in terms of total assets. In Canada, the Bank provides a full range of personal, commercial and corporate banking services in branches located in all the provinces and territories. The Bank conducts business on a global basis through approximately 100 foreign branches, representative offices and agencies and more than 100 subsidiaries and affiliates.

Selected Financial Information

	Three months ended January 31 1983	Three months ended January 31 1982	Year ended October 31 1982	1981	1980	1979	1978	Compound annual growth rate (1)
	(unaudited)							
	(millions of dollars except per share information)							
Total assets	$86,886	$87,764	$88,456	$85,359	$61,482	$50,676	$40,603	20.9%
Securities	6,986	7,237	6,795	7,346	6,567	6,104	4,674	14.3
Loans	59,856	57,845	60,284	57,131	40,805	32,713	26,977	21.2
Deposit liabilities	76,610	77,895	78,405	76,865	55,833	46,575	37,564	19.7
Debentures, Capital and Reserves:								
Debentures	1,123	1,038	1,121	779	594	520	414	25.9
Capital and Reserves:								
Appropriations for Contingencies	64	244	101	258	213	212	130	
Shareholders' Equity:								
Capital Stock:								
Preferred	353	358	354	150	—	—	—	
Common	86	83	85	83	80	73	73	
Contributed Surplus	485	419	452	408	348	193	193	
Retained Earnings	1,953	1,851	1,891	1,802	1,514	1,274	1,091	
Total Capital and Reserves	2,941	2,955	2,883	2,701	2,155	1,752	1,487	18.4
Total Debentures, Capital and Reserves	$4,064	$3,993	$4,004	$3,480	$2,749	$2,272	$1,901	20.2
Net income (2)	$112	$81	$358	$478	$348	$290	$261	13.7
As a percentage of average total assets	.50% (3)	.37% (3)	.40%	.65%	.62%	.63%	.70%	
As a percentage of average Capital and Reserves	15.3% (3)	11.4% (3)	12.8%	19.7%	17.8%	17.9%	19.2%	
Per Common Share:								
Common Shareholders' Equity	$29.30	$28.26	$28.63	$27.68	$24.20	$21.05	$18.53	12.3
Appropriations for Contingencies	0.74	2.93	1.19	3.11	2.66	2.90	1.78	
Less provision for taxation on Appropriations for Contingencies	(0.37)	(1.47)	(0.60)	(1.58)	(1.34)	(1.41)	(0.86)	
	$29.67	$29.72	$29.22	$29.21	$25.52	$22.54	$19.45	15.4
Net income: (2)								
Basic	$1.22	$0.88	$3.87	$5.75	$4.74	$3.96	$3.57	8.5
Fully diluted	$1.12	$0.87	$3.68	$5.71	$4.74	$3.96	$3.57	7.4
Dividends declared	$0.50 (4)	$0.50	$2.00	$1.70	$1.26	$1.09	$0.78	30.5

(1) From November 1, 1977 to October 31, 1982.

(2) Net income is after income taxes and minority interests in subsidiaries.

(3) Annualized.

(4) A quarterly dividend of $0.50 per Common Share was paid on May 24, 1983. This dividend represents an indicated annual dividend rate of $2.00 per Common Share.

This is a summary only and more detailed information is found elsewhere in this prospectus.

Capital Stock of the Bank

As at January 31, 1983 the authorized capital of The Royal Bank of Canada (the "Bank") consisted of 250,000,000 Common Shares of the par value of $1.00 each, of which 86,142,078 were issued and outstanding; 50,000,000 First Preferred Shares without nominal or par value, issuable in series, of which 5,717,400 were issued and outstanding as $1.88 Cumulative Redeemable First Preferred Shares Series A (the "First Preferred Shares Series A"); and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series, of which 8,400,000 were issued and outstanding as $2.75 Redeemable Convertible Second Preferred Shares Series A (the "Second Preferred Shares Series A"). The aggregate consideration for which all First Preferred Shares and all Second Preferred Shares may be issued shall not exceed $1,250,000,000 in each case.

Following the application made by the Bank duly authorized by its common shareholders at their January 13, 1983 annual meeting, the Minister of Finance of Canada approved on February 17, 1983 the proposal providing that the Common Shares of the par value of $1.00 of the authorized capital of the Bank shall be without nominal or par value and changing the authorized capital of the Bank to provide that the aggregate consideration for the issue of Common Shares shall not exceed $3,000,000,000. As a consequence, as at February 17, 1983, and in accordance with the Bank Act, the paid-in capital of the Bank maintained for its Common Shares has been increased by the amount of the contributed surplus attributable to the Common Shares prior to their being changed from par value to no par value.

Details of the Offering

The following is a summary of certain provisions of the First Preferred Shares as a class and of the $1.45 Cumulative Redeemable First Preferred Shares Series B convertible when tendered with Common Share Warrants (the "First Preferred Shares Series B") as a series together with a brief summary of the particulars of the Common Share Warrants (the "Warrants").

Certain Provisions of the First Preferred Shares as a Class

Issuable in Series

The First Preferred Shares may be issued from time to time in one or more series with such series rights, privileges, restrictions and conditions as the directors of the Bank may determine by resolution.

Priority

The First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series and are entitled to preference over the Second Preferred Shares and the Common Shares and over any other shares ranking junior to the First Preferred Shares with respect to the payment of dividends and in the distribution of property in the event of the liquidation, dissolution or winding up of the Bank.

Creation and Issue of Shares

Pursuant to the Bank Act the Bank may not without the approval of the holders of the First Preferred Shares create any other class of shares ranking equal with or prior to the First Preferred Shares. In addition, the approval of the holders of the First Preferred Shares as a class given as specified below under "Shareholder Approvals" is required if any dividends are in arrears on any outstanding series of First Preferred Shares (i) for the creation or issuance of any shares ranking prior to the First Preferred Shares and (ii) for the creation or issuance of any additional series of First Preferred Shares or of any shares ranking on a parity with the First Preferred Shares.

Voting Rights

The directors are empowered to set voting rights for each series. The holders of the First Preferred Shares are not entitled to any voting rights as a class except as provided above or by law or with respect to the right to vote on certain matters as specified below under "Shareholder Approvals".

Shareholder Approvals

The approval of all amendments to the provisions attaching to the First Preferred Shares as a class and any other approval to be given by the holders of the First Preferred Shares may be given in writing by the holders of not less than all of the outstanding First Preferred Shares or by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of First Preferred Shares at which a quorum of the

outstanding First Preferred Shares is represented. A quorum at any meeting of First Preferred shareholders is 51% of the shares entitled to vote at such meeting except that at an adjourned meeting there is no quorum requirement. At any meeting of First Preferred shareholders as a class, each such holder shall be entitled to one vote in respect of each $1.00 of issue price of the First Preferred Shares held by such holder.

Certain Provisions of the First Preferred Shares Series B as a Series

Issue Price

The First Preferred Shares Series B will have an issue price of $20 per share.

Dividends

The holders of the First Preferred Shares Series B will be entitled to receive fixed cumulative preferred dividends, as and when declared by the Board of Directors of the Bank, at the rate of $1.45 per share per annum to accrue from the date of issue and to be paid quarterly on the 24th day of February, May, August and November in each year. Assuming an issue date of June 9, 1983, an initial dividend of $0.3019 per share will be payable on August 24, 1983, when declared by the Board of Directors of the Bank.

The Bank intends to take the steps necessary to extend to the holders of First Preferred Shares Series B the right to participate in the Bank's Shareholder Dividend and Share Purchase Plan.

Upon tender of First Preferred Shares Series B for conversion as described below under ''Warrants'' the holder will not be entitled to any adjustment of dividends on any such share or any Common Share received.

Warrants

The provisions attaching to the First Preferred Shares Series B will provide that upon presentation of Warrants by a holder of such shares on or before 4:00 P.M., local time, on June 9, 1988, the holder of such shares and Warrants will be entitled to convert such First Preferred Shares Series B into Common Shares of the Bank. One whole Warrant and two First Preferred Shares Series B will entitle the holder thereof to receive one Common Share of the Bank. The provisions of the First Preferred Shares Series B will also provide for adjustments in the conversion rate upon the happening of the events therein described which shall be the same as those described under ''Common Share Warrants — Warrant Indenture'' below. Such adjustments will be similar in effect to those to be provided in respect of the Warrants as described under ''Common Share Warrants — Warrant Indenture'' below.

Upon exercise of the conversion privilege by the holder of First Preferred Shares Series B and Warrants, the Bank reserves the right not to issue Common Shares to any person whose address is in, or whom the Bank or its agent has reason to believe is a resident of, the United States of America, its territories or possessions. (See also ''Restraints on Bank Shares under the Bank Act''.)

Redemption

The First Preferred Shares Series B will not be redeemable by the Bank on or prior to June 9, 1988. After such date, the First Preferred Shares Series B may be redeemed by the Bank in whole at any time or in part from time to time on not more than 60 and not less than 30 days prior notice at the following redemption prices (the ''Redemption Price'') plus accrued and unpaid dividends to the date fixed for redemption:

If redeemed in the 12 months ending June 9	Redemption Price
1989	$21.00
1990	20.80
1991	20.60
1992	20.40
1993	20.20
and thereafter	20.00

Where a part only of the then outstanding First Preferred Shares Series B is at any time to be redeemed, the First Preferred Shares Series B so to be redeemed shall be selected by lot in such manner as the Board of Directors

of the Bank determines or, if the Board of Directors of the Bank so decides, may be redeemed pro rata, disregarding fractions.

All redemptions of the First Preferred Shares Series B are subject to the consent of the Inspector General of Banks and certain requirements in respect of paid-in capital of the Bank remaining after such redemption. See "Bank Act Restrictions and Approvals" below.

Purchase for Cancellation

Subject to the consent of the Inspector General of Banks and certain requirements in respect of paid-in capital of the Bank remaining after such purchases (see "Bank Act Restrictions and Approvals" below), the Bank may at any time purchase for cancellation First Preferred Shares Series B at a price per share, if purchased at any time on or prior to June 9, 1988, not exceeding $21 and, if purchased at any other time, at a price per share not exceeding the then applicable Redemption Price, plus in each case accrued and unpaid dividends and costs of purchase.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Bank, the holders of the First Preferred Shares Series B shall be entitled to receive on or prior to June 9, 1988, $21 per share and thereafter the then applicable Redemption Price, together with all dividends accrued and unpaid to the date of payment, before any amount shall be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the First Preferred Shares Series B. The holders of the First Preferred Shares Series B shall not be entitled to share in any further distribution of the assets of the Bank.

Restrictions on Dividends and Retirement of Shares

So long as any of the First Preferred Shares Series B are outstanding, the Bank will not, without the approval of the holders of the First Preferred Shares Series B:

(a) pay any dividends on any Second Preferred Shares, any Common Shares or any other shares ranking junior to the First Preferred Shares Series B (other than stock dividends in any shares ranking junior to the First Preferred Shares Series B); or

(b) redeem, purchase or otherwise retire any Second Preferred Shares, any Common Shares or any other shares ranking junior to the First Preferred Shares Series B (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the First Preferred Shares Series B); or

(c) redeem, purchase or otherwise retire less than all the First Preferred Shares Series B; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the First Preferred Shares Series B;

unless all dividends up to and including the dividend payment date for the last completed period for which dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the First Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative First Preferred Shares then issued and outstanding and on all other non-cumulative shares ranking on a parity with the First Preferred Shares.

Issue of Additional Series of First Preferred Shares and Amendments to First Preferred Shares Series B

The Bank may issue other series of First Preferred Shares ranking on a parity with the First Preferred Shares Series B without the approval of the holders of the First Preferred Shares Series B. The Bank will not without, but may from time to time with, the approval of the holders of the First Preferred Shares Series B given as specified below under "Shareholder Approvals" delete or vary any rights, privileges, restrictions and conditions attaching to the First Preferred Shares Series B.

Shareholder Approvals

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the First Preferred Shares Series B as a series and any other approval to be given by the holders of the First Preferred Shares Series B may be given in writing by the holders of not less than all of the outstanding First Preferred Shares Series B or by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders

of the First Preferred Shares Series B at which a quorum of the outstanding First Preferred Shares Series B is represented. A quorum at any meeting of First Preferred Shares Series B holders is 51% of the shares entitled to vote at such meeting except that at any adjourned meeting there is no quorum requirement. At any meeting of holders of First Preferred Shares Series B as a series, each such holder shall be entitled to one vote in respect of each First Preferred Share Series B held.

Voting Rights

The holders of the First Preferred Shares Series B will not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of the Bank unless the Bank shall have failed to pay eight quarterly dividends on the First Preferred Shares Series B, whether or not consecutive. In that event, and so long as any dividends on the First Preferred Shares Series B remain in arrears, the holders of the First Preferred Shares Series B will be entitled to receive notice of and to attend meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each First Preferred Share Series B held.

Bank Act Restrictions and Approvals

Under the Bank Act, the Bank cannot redeem or purchase any of its shares including the First Preferred Shares Series B unless (i) the consent of the Inspector General of Banks has been obtained and the directors are satisfied that its paid-in capital remaining after the redemption or purchase will be adequate for the capital needs of the Bank or (ii) the redemption or purchase is pursuant to a sinking fund or purchase fund obligation. The Bank is also prohibited from paying or declaring a dividend while its paid-in capital is or would be impaired or in an amount exceeding 8% per annum on its paid-in capital unless, after the payment, its retained earnings and general reserve would be equal in total to at least 20% of its paid-in capital and contributed surplus. Currently, this limitation would not restrict the payment of dividends on the First Preferred Shares Series B.

Common Share Warrants

General

Each holder of First Preferred Shares Series B of record at the close of business on July 8, 1983 will receive by registered mail a certificate representing one-half of a Warrant for each First Preferred Share Series B held. Prior to the close of business on July 8, 1983 the right to receive Warrant certificates shall not be transferable separately, but only by and in connection with a transfer of First Preferred Shares Series B held and any transfer of a First Preferred Share Series B on or prior to July 8, 1983 shall constitute a transfer of the related right to receive Warrant certificates.

One whole Warrant will entitle the holder to purchase from the Bank one Common Share of the Bank at a price of $40 (the "Exercise Price") until the expiration thereof at 4:00 P.M., local time, on June 9, 1988. In addition, holders of Warrants will have the option to tender, on or prior to the expiration of the Warrants, First Preferred Shares Series B, in lieu of cash, thus converting such First Preferred Shares Series B into Common Shares of the Bank. One whole Warrant and two First Preferred Shares Series B will entitle the holder thereof to receive one Common Share of the Bank upon such conversion, subject to adjustment in certain events.

Holders of Warrants desiring to exercise the privileges attaching to one or more of such Warrants shall, no later than the expiration thereof, surrender the certificates representing such Warrants to the Warrant Agent at any of the offices of the Transfer Agent of the Bank's Common Shares in Canada and pay the Exercise Price or request conversion of First Preferred Shares Series B surrendered therewith as set forth above under "Certain Provisions of the First Preferred Shares Series B as a Series — Warrants". Warrant certificates will be in bearer form and title to the Warrants will pass by delivery of Warrant certificates. Warrant certificates may be subdivided or consolidated by presentation of the Warrant certificates to the Warrant Agent.

No fractional Warrants will be issued and a purchaser pursuant to this offering will not be entitled to any cash payment or other compensation in respect of his purchase of such number of First Preferred Shares Series B as would otherwise result in his entitlement to a fractional Warrant.

Upon exercise of a Warrant, the Bank reserves the right not to issue Common Shares to any person whose address is in, or whom the Bank or its agent has reason to believe is a resident of, the United States of America, its territories or possessions. (See also "Restraints on Bank Shares under the Bank Act".)

The Bank may purchase in the market, by private contract or otherwise all or any portion of the Warrants on such terms as the Bank may determine.

Warrant Indenture

The Warrants will be issued under an indenture (the "Warrant Indenture") to be dated as of June 9, 1983 between the Bank and Montreal Trust Company of Canada, as Warrant Agent. The Warrant Indenture will contain provisions to the effect that in the event of any reclassification of the Common Shares into other shares or in the case of the consolidation, amalgamation or merger of the Bank with another entity, a proportionate change will be made in the number and kind of securities issuable on the exercise (with a cash payment) of the Warrants. The Warrant Indenture will also provide that the Exercise Price and the number of Common Shares which may be purchased will be subject to adjustment in certain events, including:

(a) the subdivision, consolidation or reclassification of the Common Shares of the Bank;

(b) the issue of Common Shares to all or substantially all the holders of Common Shares of the Bank by way of a stock dividend or otherwise, other than the issue from time to time of Common Shares of the Bank by way of a stock dividend or dividend reinvestment plan to shareholders who elect to receive dividends in shares in lieu of receiving cash dividends paid in the ordinary course;

(c) the issuance of rights, options or warrants to all or substantially all the holders of Common Shares of the Bank entitling them within a period of 45 days to acquire Common Shares or securities convertible into or exchangeable for Common Shares of the Bank at a price per share (or having a conversion or exchange price per share) less than 95% of the then Current Market Price of the Common Shares of the Bank, which shall be defined as the weighted average price at which the Common Shares have traded on the Montreal and Toronto stock exchanges during any 30 consecutive trading days ending on a date within 15 business days preceding the record date for such issuance; and

(d) the distribution to all or substantially all the holders of Common Shares of the Bank of shares of any other class or of rights, options or warrants (other than those expiring within 45 days) or of evidences of indebtedness or of assets (excluding cash dividends paid in the ordinary course).

The Bank will be required to give at least 14 days notice to holders of Warrants by publication in a newspaper of general circulation and to all registered holders of First Preferred Shares Series B of the record date for the above events other than a subdivision, consolidation or reclassification of the Common Shares. The Bank will not be required to make adjustments in accordance with the foregoing or to give any notice unless the cumulative effect of such adjustments would change the exercise basis by at least 1%.

In the event that the foregoing adjustments would entitle the holder of Warrants to acquire a fractional Common Share, no such fraction shall be issued but the Bank shall instead pay to the holder of the Warrants, upon his exercise of all Warrants surrendered for the number of full Common Shares subject thereto, cash in lieu of such fractional share.

No holder of Warrants shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities of the Bank which may at any time be issuable on the exercise of the Warrants until the Warrants are properly exercised as provided in the Warrant Indenture.

Certain Provisions of Other Shares

The following is a summary of the material attributes of the First Preferred Shares Series A as a series, Second Preferred Shares as a class, the Second Preferred Shares Series A as a series and the Common Shares of the Bank.

First Preferred Shares Series A

Provisions attaching to the First Preferred Shares Series A as a series entitle the holders thereof to:

(a) fixed cumulative cash dividends at the rate of $1.88 per share per annum in priority to any dividends on the Second Preferred Shares and the Common Shares;

(b) the right to one vote per share at shareholders' meetings of the Bank other than serial or class meetings of another series or class of shares but only upon the failure of the Bank to pay eight quarterly dividends on the shares, whether consecutive or not; and

(c) the benefit of a purchase obligation on the part of the Bank to use all reasonable efforts to purchase in the market 48,000 First Preferred Shares Series A in each calendar quarter, cumulative only within each calendar year, at prices not exceeding $25 per share plus costs of purchase.

Second Preferred Shares as a Class

Issuable in Series

The Second Preferred Shares may be issued from time to time in one or more series with such series rights, privileges, restrictions and conditions as the directors of the Bank may determine by resolution.

Priority

The Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series, and are entitled to preference over the Common Shares and any other shares ranking junior to the Second Preferred Shares with respect to the payment of dividends and in the distribution of property in the event of the liquidation, dissolution or winding up of the Bank. The Second Preferred Shares rank junior to the First Preferred Shares with respect to the payment of dividends and in the distribution of property in the event of the liquidation, dissolution or winding up of the Bank.

Creation and Issue of Shares

Pursuant to the Bank Act the Bank may not without the approval of the holders of the Second Preferred Shares create any other class of shares ranking equal with or prior to the Second Preferred Shares. In addition, the approval of the holders of the Second Preferred Shares as a class given as specified below under ''Shareholder Approvals'' is required if any dividends are in arrears on any outstanding series of Second Preferred Shares (i) for the creation or issuance of any shares ranking prior to the Second Preferred Shares and (ii) for the creation or issuance of any additional series of Second Preferred Shares or of any shares ranking on a parity with the Second Preferred Shares.

Voting Rights

The directors are empowered to set voting rights for each series. The holders of the Second Preferred Shares are not entitled to any voting rights as a class except as provided above or by law or with respect to the right to vote on certain matters as described under ''Shareholder Approvals'' below.

Shareholder Approvals

The approval of all amendments to the provisions attaching to the Second Preferred Shares as a class and any other approval to be given by the holders of the Second Preferred Shares may be given in writing by the holders of not less than all of the outstanding Second Preferred Shares or by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of Second Preferred Shares at which a quorum of the outstanding Second Preferred Shares is represented. A quorum at any meeting of Second Preferred shareholders is 51% of the shares entitled to vote at such meeting except that at an adjourned meeting there is no quorum requirement. At any meeting of Second Preferred shareholders as a class, each such holder shall be entitled to one vote in respect of each $1.00 of issue price of the Second Preferred Shares held by such holder.

Second Preferred Shares Series A

The Second Preferred Shares Series A were issued for $25 per share and carry a dividend of $2.75 per share. Each Second Preferred Share Series A is convertible at the option of the holder at any time up to and including December 8, 1988 into one Common Share of the Bank upon payment by the holder of $5, being a conversion price of $30 per Common Share, subject to adjustment in certain events. If, after December 8, 1984 and prior to December 8, 1988, the Common Shares have traded at a price in excess of 125% of the prevailing conversion price for a specified period, the Bank shall have the right to convert the Second Preferred Shares Series A into Common Shares at the prevailing conversion price. No additional payment will be required from the holders of Second Preferred Shares Series A so converted. Based on the initial conversion price of $30 per Common Share, 0.833 of a Common Share would be issued for each Second Preferred Share Series A. The Second Preferred Shares Series A will be retractable at the option of the holder on December 9, 1988 at a price of $28.75 per share plus all accrued and unpaid dividends. The Second Preferred Shares Series A are not redeemable prior to December 10, 1988 (unless 10% or less of the Second Preferred Shares Series A originally issued are outstanding in which case the Bank may redeem all but not part of such shares) and thereafter are redeemable at $25 per share plus all accrued

and unpaid dividends. Commencing with the calendar quarter ending March 31, 1989, the Bank will use its best efforts to purchase in the open market at a price not exceeding $25 per share plus costs of purchase in each quarter 1% of the number of Second Preferred Shares Series A outstanding at December 10, 1988. The obligation is cumulative only within each calendar year. The Second Preferred Shares Series A will carry the right to one vote per share in the event eight quarterly dividends are in arrears, whether or not consecutive.

Common Shares

The holders of the Common Shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of all classes of preferred shares. Subject to the restrictions set forth below under "Restraints on Bank Shares under the Bank Act", a holder of Common Shares is entitled to one vote for each Common Share at all meetings of shareholders except meetings at which only holders of a specified class or series of shares are entitled to vote. In the event of liquidation, dissolution or winding up of the Bank, after payment of all deposit liabilities and other outstanding debts and subject to the preference of the preferred shares, the remaining assets of the Bank would be distributed pro rata to the holders of the Common Shares.

Restraints on Bank Shares Under the Bank Act

The Bank Act contains restrictions on the allotment, transfer, acquisition, holding and voting of all shares of a chartered bank including the First Preferred Shares Series B. In summary these restrictions do not permit banks, including the Bank, to issue or transfer shares of any class to:

(a) a non-resident if the total number of shares of that class held by all non-residents exceeds or would thereby exceed 25% of the shares of that class;

(b) any person if the total number of shares of that class held by that person and others associated with him exceeds or would thereby exceed 10% of the shares of that class; or

(c) Her Majesty in right of Canada or in right of a province or an agent of Her Majesty or a foreign government or any agent of a foreign government.

In addition, no person is permitted to acquire, hold or beneficially own shares of a class of a bank if the total number of shares of that class held or beneficially owned by that person and others associated with him exceeds or would thereby exceed 10% of the outstanding shares of that class. The restrictions on voting rights contained in the Bank Act provide that a Canadian resident holding shares of the Bank in the right of and for the use or benefit of a non-resident may not exercise the voting rights pertaining to such shares and, generally speaking, prohibit the voting of shares of a class held by or for a person or his associates if the shares of that class held by or for that person and his associates are in excess of 10% of the shares of that class.

Purchasers of the First Preferred Shares Series B may be required to furnish declarations relative to certain of the foregoing matters in a form prescribed by the Bank. The Bank may also require any holder of Warrants desiring to exercise the right to acquire Common Shares to submit a declaration in respect of certain of the foregoing matters in a form prescribed by the Bank.

Canadian Income Tax Considerations

In the opinion of G. Harold Pickel, Assistant General Counsel, Corporate, of the Bank and Ogilvy, Renault, the following is a summary of the principal Canadian federal income tax considerations for prospective purchasers who are residents of Canada and who will hold their First Preferred Shares Series B and Warrants as capital property. Prospective purchasers are advised to consult their tax advisors as to their own particular income tax consequences.

Dividends

An individual will be subject to income taxes on dividends received or deemed received on the First Preferred Shares Series B and will receive the benefit of income deductions and dividend tax credits with respect to such dividends as would normally apply to taxable dividends paid by taxable Canadian corporations.

A corporation will be entitled to deduct dividends received on the First Preferred Shares Series B in computing its taxable income, except where such deduction is denied to a "specified financial institution" pursuant to the provisions of section 112(2.1) of the Income Tax Act (the "Act"). A private corporation which is entitled to deduct dividends received on the First Preferred Shares Series B in computing its taxable income will be subject to the refundable tax provisions of Part IV of the Act.

Allocation of Purchase Price

Where a warrant is issued with a preferred share of a corporation but is severable from it and can be separately traded, and where the total issue price of the warrant and the preferred share is at or below the redemption price of the preferred share, the current administrative practice of Revenue Canada, Taxation, as set out in its Interpretation Bulletin IT-96R3, is to allocate no part of the issue price to the warrant. On this basis, the adjusted cost base of a Warrant to an initial purchaser of First Preferred Shares Series B would be nil. Interpretation Bulletins may be amended and in any event are not binding upon Revenue Canada, Taxation.

Warrants

(i) ***Exercise with Cash Payment***

The exercise of a Warrant with a payment in cash will not have any adverse tax consequences to the holder of the Warrant. The cost of the Common Shares received upon the exercise of the Warrant will be an amount equal to the cash paid together with the cost, if any, of the Warrant, subject to the averaging provisions of Section 47 of the Act.

(ii) ***Conversion of First Preferred Shares Series B with Warrants***

The conversion of First Preferred Shares Series B with Warrants into Common Shares will not have any adverse tax consequences to the holder of the First Preferred Shares Series B and Warrants. The cost of the Common Shares received upon the conversion will be an amount equal to the cost of the First Preferred Shares Series B converted together with the cost, if any, of the Warrants, subject to the averaging provisions of Section 47 of the Act. No capital gain or loss will be realized on the First Preferred Shares Series B that are converted or the Warrants tendered on such conversion. Under the present assessing practice of Revenue Canada, Taxation, a holder of First Preferred Shares Series B who upon conversion receives cash not in excess of $200 in lieu of a fraction of a share may either include the gain or loss on the disposition of the fraction of a share in computing his income for the year of conversion or, alternatively, reduce the adjusted cost base of the Common Shares received on the conversion by the amount of cash received.

(iii) ***Expiration of Warrants***

The expiration of a Warrant will give rise to a capital loss in the hands of the holder equal to the cost, if any, of the Warrant.

Redemption

Any premium paid on redemption of the First Preferred Shares Series B will be treated for income tax purposes as a capital gain or a reduction of a capital loss (half of which would constitute a taxable capital gain or allowable capital loss) in the hands of all holders other than private corporations, in whose hands it will be treated as a dividend.

Quebec Stock Savings Plan

The First Preferred Shares Series B of the Bank will not qualify as securities eligible for inclusion in a stock savings plan.

The Bank confirms that the Bank's Common Shares acquired by virtue of the exercise of Warrants by payment in cash will qualify as securities eligible for inclusion in a stock savings plan under the Taxation Act (Quebec). For 1983, 100% of the cost of such Common Shares acquired during that year will qualify for deduction. As a result of the Budget presented by the Finance Minister of Quebec, on May 10, 1983, the Bank's Common Shares so acquired in 1984 and starting in 1985 will only qualify for a deduction to the extent of 75% and 50% of their cost respectively.

The Bank's Common Shares acquired by virtue of the conversion of First Preferred Shares Series B into Common Shares will not qualify as securities eligible for inclusion in such a plan.

Price Range and Trading Volume of Common Shares

The Common Shares of the Bank are listed on the Montreal, Toronto, Winnipeg, Alberta, Vancouver, and London (England) stock exchanges. The following tables set forth the composite market price range and trading volume of Common Shares of the Bank on the Montreal and Toronto stock exchanges for the periods indicated. Prices and volumes of Common Shares reflect the two-for-one split effected in March 1981.

Year		High	Low	Volume of shares
1981	First Quarter	$32.50	$28.63	2,341,217
	Second Quarter	31.75	26.75	1,897,409
	Third Quarter	29.25	24.13	2,102,609
	Fourth Quarter	27.88	25.25	2,844,044
1982	First Quarter	27.00	21.63	2,112,866
	Second Quarter	23.50	18.75	4,289,741
	Third Quarter	24.88	18.00	5,640,670
	Fourth Quarter	28.75	20.88	6,023,522
1983	January	28.25	25.75	1,654,386
	February	30.75	25.50	2,391,007
	March	32.88	30.00	1,721,494
	April	35.88	31.75	1,958,896
	May (1st to 25th)	36.00	31.50	1,345,957

The closing sale prices of the Common Shares on the Montreal and Toronto stock exchanges on May 25, 1983 were $33¼ and $33⅜, respectively.

Dividend Record

The following table sets forth the dividends declared by the Bank over the periods indicated:

	Year ended October 31				
	1982	1981	1980	1979	1978
First Preferred Shares Series A (per share)	$ 1.88	$ 1.41	—	—	—
(issued February 27, 1981)					
Amount (in thousands)	$ 11,039	$ 8,546	—	—	—
Second Preferred Shares Series A (per share)	$ 2.6425	—	—	—	—
(issued December 9, 1981)					
Amount (in thousands)	$ 22,197	—	—	—	—
Common Shares (per share)	$ 2.00	$ 1.70	$ 1.26	$ 1.09	$ 0.78
Amount (in thousands)	$168,228	$139,430	$94,549	$79,767	$57,265

On November 24, 1982, February 24, 1983 and May 24, 1983 the Bank paid quarterly dividends of $0.47 per First Preferred Share Series A, $0.6875 per Second Preferred Share Series A and $0.50 per Common Share. The indicated annual dividend rate on the Bank's Common Shares is $2.00 per Common Share.

Earnings Coverage

The maximum annual dividend requirements on all First Preferred Shares after giving effect to the maximum amount of this issue will amount to approximately $32.5 million. The Bank's net income (after income taxes and before minority interests in subsidiaries) for the twelve months ended January 31, 1983 was $390.3 million. This amount is approximately 12.0 times such annual dividend requirements.

The maximum annual interest requirements on the Bank's debentures outstanding at January 31, 1983 (assuming for the Bank's two series of floating rate debentures an average prime rate of 11% and average 6 month LIBOR of 9%, respectively) will amount to $124.9 million. The maximum annual dividend requirements on the First Preferred Shares including this issue (grossed-up to a pre-tax equivalent basis assuming an effective tax rate of 50.3%) will amount to $65.4 million. The Bank's net income before the deduction of interest on debentures and income taxes for the twelve months ended January 31, 1983 amounted to $542.8 million. This amount is approximately 2.9 times the total maximum debenture interest and grossed-up maximum dividend requirements of $190.3 million.

Asset Coverage

As at January 31, 1983 and after giving effect to the maximum amount for this issue, the adjusted net assets of the Bank available for the First Preferred Shares were as follows:

	January 31, 1983 (in millions of dollars)	
Total assets		$86,886
Deduct: Deposit liabilities	$76,610	
Other liabilities	6,212	
Provision for taxation on Appropriations for Contingencies (1)	32	82,854
Net assets		4,032
Add: Net proceeds of this issue		291
Adjusted net assets before deduction of debentures		4,323
Less: Debentures		1,123
Adjusted net assets available for First Preferred Shares		$ 3,200

(1) For purposes of calculating asset coverage a provision for income tax has been made on Appropriations for Contingencies to convert the entire amount of that account to a tax-paid basis.

The adjusted net assets before deduction of debentures amounted to 2.8 times the aggregate of the principal amount of such debentures and the aggregate issue price of the First Preferred Shares including this issue.

The adjusted net assets available for First Preferred Shares amounted to 7.2 times the aggregate issue price of the First Preferred Shares including this issue.

Plan of Distribution

Under an underwriting agreement dated May 26, 1983 between the Bank and Wood Gundy Limited, Nesbitt Thomson Bongard Inc., Dominion Securities Ames Limited and Pitfield Mackay Ross Limited (the "Underwriters"), the Bank has agreed to sell and the Underwriters have agreed to purchase, severally, on June 9, 1983, or on such other date not later than July 1, 1983 as may be agreed upon, subject to the terms and conditions stated therein, all but not less than all of the 14,000,000 First Preferred Shares Series B offered hereby at an aggregate price of $280,000,000 payable in cash to the Bank against delivery of such First Preferred Shares Series B. The agreement provides for the Bank to pay the Underwriters an aggregate fee of $8,400,000.

The Bank has granted the Underwriters an option to purchase up to a maximum of 1,000,000 additional First Preferred Shares Series B at a price of $20 per share payable in cash to the Bank against delivery of such First Preferred Shares Series B. The Bank has agreed to pay the Underwriters a fee of $0.48 per share in respect of such additional First Preferred Shares Series B purchased. The option is exercisable in whole or in part and from time to time on or before June 8, 1983 only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with this offering. All fees payable to the Underwriters will be paid on account of services rendered in connection with the offering and will be paid out of the general corporate funds of the Bank.

The obligations of the Underwriters under the underwriting agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all First Preferred Shares Series B which they have obliged themselves to purchase if any of the First Preferred Shares Series B are purchased under such agreement. In connection with this offering the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the First Preferred Shares Series B, the Second Preferred Shares Series A and the Common Shares of the Bank at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Bank has undertaken to provide notification of the exercise of Warrants and of the conversion of First Preferred Shares Series B with Warrants to the securities regulatory bodies in Canada where such notification is necessary so that sales of the Common Shares issuable in connection therewith will not be subject to prospectus requirements. Sales of such Common Shares will not be subject to prospectus requirements (except for parties in a

special relationship with the Bank if the Bank is in default of any requirement of the applicable securities act and regulations) provided that no unusual effort is made to prepare the market or create a demand for the Common Shares and no extraordinary commission or other consideration is paid in respect of the trade.

Application of Proceeds

The proceeds to the Bank from the sale of the First Preferred Shares Series B offered hereby, after deducting estimated expenses of the issue and the fees payable to the Underwriters to be paid out of the general corporate funds of the Bank, will amount to a minimum of approximately $271,200,000 and a maximum of approximately $290,720,000. Such proceeds will be added to the Bank's general funds and will be utilized for general banking purposes. The purpose of this issue is to enlarge the Bank's primary capital base.

Shareholder Dividend and Share Purchase Plan

The Bank has a Shareholder Dividend and Share Purchase Plan which offers to holders of Common or Preferred Shares a convenient method of reinvesting cash dividends in new Common Shares of the Bank or of receiving stock dividends in the form of new Common Shares of the Bank in lieu of cash. In each case the new Common Shares of the Bank are issued at 95% of the average market price as defined in the Plan. A participant in the Plan may also make optional cash payments as frequently as once a month for an aggregate amount up to $5,000 per quarter to purchase new Common Shares at 100% of the average market price. There are no commissions payable by participants and all administrative costs are paid by the Bank.

The Bank intends to take the steps necessary to extend to the holders of First Preferred Shares Series B the right to participate in the Bank's Shareholder Dividend and Share Purchase Plan.

Prior Sales

Under the terms of the Shareholder Dividend and Share Purchase Plan available to its shareholders, the Bank has issued 2,885,874 Common Shares at a value of $67,597,564 during the twelve months ended January 31, 1983.

Eligibility for Investment

In the opinion of G. Harold Pickel, Assistant General Counsel, Corporate, of the Bank and Ogilvy, Renault, at the time of issue, the First Preferred Shares Series B will be eligible investments, without resort to the so-called "basket" provisions but subject to general investment provisions, for:

(i) insurance companies regulated under the Canadian and British Insurance Companies Act (Canada), the Foreign Insurance Companies Act (Canada) and legislation of British Columbia, Alberta, Ontario and Quebec governing insurance companies;

(ii) loan companies regulated under the Loan Companies Act (Canada) and legislation of Ontario governing loan companies;

(iii) trust companies regulated under the Trust Companies Act (Canada) and legislation of Alberta and Ontario governing trust companies;

(iv) pension funds regulated under the Pension Benefits Standards Act (Canada) and legislation of Alberta, Ontario and Quebec governing pension funds; and

(v) a trust governed by a registered retirement savings plan or by a registered home ownership savings plan under the Income Tax Act (Canada).

In addition, in the opinion of such counsel the Warrants, when issued and listed on The Montreal Exchange and The Toronto Stock Exchange will be eligible investments for a trust governed by a registered retirement savings plan or by a registered home ownership savings plan under the Income Tax Act (Canada). The Bank anticipates that the Warrants will be listed on such exchanges on July 8, 1983 when such Warrants will be issued to holders of record of the First Preferred Shares Series B on such date.

Auditors, Transfer Agent and Registrar

The Bank Act requires shareholders of the Bank to appoint at each annual general meeting two qualified firms of auditors to act as auditors of the Bank until the next annual general meeting. When the same two firms of accountants have been appointed for two consecutive years as auditors, one such firm shall not be appointed as auditor for the period of two years next following the expiration of the term for which that firm was last appointed. At the annual meeting of January 13, 1983 the shareholders appointed Touche Ross & Co., Montreal and Deloitte Haskins & Sells, Montreal as auditors of the Bank.

Montreal Trust Company of Canada at its principal transfer office in the cities of Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver is the transfer agent and registrar for the First Preferred Shares Series A, the Second Preferred Shares Series A, and will be the transfer agent and registrar for the First Preferred Shares Series B.

The transfer agent and registrar for the Common Shares of the Bank is Montreal Trust Company of Canada at its principal office in Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver and is the Bank in London, England.

Debentures, Liabilities of Subsidiaries other than Deposits, Minority Interests in Subsidiaries, Appropriations for Contingencies and Shareholders' Equity

	Authorized	Outstanding as at October 31, 1982	Outstanding as at April 30, 1983 (unaudited)	Outstanding as at April 30, 1983 after giving effect to this issue (unaudited)
		(thousands of dollars)		
Debentures of the Bank: (1)				
8% due February 15, 1984	$40,000	$ 40,000	$ 40,000	$ 40,000
10% due May 15, 1986	40,000	40,000	40,000	40,000
9¼ due June 1, 1986	60,000	60,000	60,000	60,000
April 7, 1987 (2)	U.S.100,000	122,550	122,430	122,430
9% due June 1, 1987	75,000	75,000	75,000	75,000
7½% due December 1, 1987	50,000	789	789	789
9½% due April 1, 1988	35,000	26,685	26,151	26,151
10.40% due February 15, 1989	75,000	75,000	75,000	75,000
November 15, 1990 (3)	75,000	75,000	75,000	75,000
7% due April 15, 1991	75,000	2,925	2,924	2,924
12% convertible due July 22, 1991 (4)	100,000	100,000	100,000	100,000
Convertible due December 9, 1991 (5)	260,000	260,000	260,000	260,000
9% due February 15, 1992	40,000	36,350	36,058	36,058
10% due May 15, 1994	40,000	40,000	40,000	40,000
10% due December 1, 1994 (6)	75,000	75,000	75,000	75,000
11⅝% due May 22, 2000	U.S.75,000	91,913	91,823	91,823
Total		1,121,212	1,120,175	1,120,175
Liabilities of Subsidiaries other than Deposits (7)		346,554	341,311	341,311
Minority Interests in Subsidiaries (14)		2,249	2,628	2,628
Appropriations for Contingencies (8)(14)		100,894	63,894	63,894
Shareholders' Equity:				
Capital stock:				
First Preferred Shares without par value	1,250,000 (50,000,000 shs)			
Issued — $1.88 cumulative redeemable Series A (9)	160,000 (6,400,000 shs)	144,038 (5,761,500 shs)	142,358 (5,694,300 shs)	142,358 (5,694,300 shs)
$1.45 cumulative redeemable Series B (this issue)	300,000 (15,000,000 shs)	—	—	280,000 (10) (14,000,000 shs)
Second Preferred Shares without par value	1,250,000 (50,000,000 shs)			
Issued — $2.75 cumulative redeemable convertible Series A (9)(11)	210,000 (8,400,000 shs)	210,000 (8,400,000 shs)	210,000 (8,400,000 shs)	210,000 (8,400,000 shs)
Common Shares (12) (13)	250,000 (250,000,000 shs)			
Issued		84,833 (84,832,574 shs)	588,324 (86,824,448 shs)	588,324 (86,824,448 shs)
Contributed Surplus (13)		451,965	—	—
Retained Earnings (14)		1,891,650	1,955,992	1,955,992
Total		2,782,486	2,896,674	3,176,674
Total Debentures, Liabilities of Subsidiaries other than Deposits, Minority Interests in Subsidiaries, Appropriations for Contingencies and Shareholders' Equity		$4,353,395	$4,424,682	$4,704,682

Notes:

(1) The debentures (which are all issued by the Bank) are subordinate in right of payment to the claims of depositors and other unsubordinated creditors. The aggregate amount of debentures which may be outstanding is governed by the Bank Act.

(2) The April 7, 1987 debentures bear interest at a rate equal to the average of the 6 months LIBOR.

(3) The November 15, 1990 debentures bear interest at a rate of 5/8 of 1% below the Bank's average daily Canadian prime rate.

(4) The Convertible Debentures due July 22, 1991 are convertible at the option of the holder prior to July 21, 1991 into Common Shares at a conversion price of $35.00 per Common Share. These debentures are also convertible at the option of the Bank on or after July 23, 1986 at a conversion price of $35.00 per Common Share if the Common Shares have traded on the Montreal and Toronto stock exchanges at or in excess of certain weighted average prices.

(5) The Convertible Debentures due December 9, 1991 are convertible at the option of the holder at any time up to and including December 9, 1991 into Common Shares of the Bank at a conversion price of $30 per Common Share, subject to adjustment in certain events. The Debentures bear interest at the rate of 15½% to December 9, 1983 and 11¼% thereafter.

(6) The December 1, 1994 debentures are retractable at the option of the holder on December 1, 1984 and callable on or after that date.

(7) Reference is made to Note 10 to the Consolidated Financial Statements.

(8) Appropriations for contingencies is an amount set aside by the Bank in addition to the amount which it determines should be deducted from its loan portfolio in respect of doubtful accounts and is available to provide for possible losses not yet known which may be incurred in realization of existing loans. Reference is made to Note 1 to the Consolidated Financial Statements.

(9) Reference is made to Note 13 to the Consolidated Financial Statements for particulars of the purchase obligation for these shares.

(10) Does not include the First Preferred Shares Series B which may be issued pursuant to the option granted to the Underwriters to cover over-allotments.

(11) Each Second Preferred Share Series A is convertible at the option of the holder at any time up to and including December 8, 1988 into one Common Share of the Bank upon payment by the holder of $5, being a conversion price of $30 per Common Share, subject to adjustment in certain events.

(12) The Common Shares which are reserved for issuance upon conversion of the 12% Convertible Debentures due July 22, 1991, the Convertible Debentures due December 9, 1991 and the Second Preferred Shares Series A total 19,923,810 shares. A further 7,500,000 Common Shares will be reserved for issuance to the holders of Warrants exercising the right to acquire Common Shares. A further 503,952 Common Shares are reserved for issuance to participants in the Shareholder Dividend and Share Purchase Plan.

(13) The contributed surplus account includes amounts received by the Bank on issue of its common shares in excess of the par value of such stock. As a result of application made by the Bank, duly authorized by its common shareholders at their January 13, 1983 annual meeting, the Minister of Finance of Canada on February 17, 1983, approved the proposal providing that the Common Shares of the par value of $1.00 of the authorized capital of the Bank shall be without nominal or par value and establishing the maximum aggregate consideration for which all Common Shares may be issued at $3,000,000,000. As a consequence as at February 17, 1983 and in accordance with the Bank Act, the paid-in capital of the Bank maintained for its Common Shares has been increased by the amount of the contributed surplus attributable to the Common Shares prior to their being changed from par value to no par value.

(14) The amounts shown as at April 30, 1983 for Minority Interests in Subsidiaries, Appropriations for Contingencies and Retained Earnings do not include amounts in respect of net income, dividends and loss experience on loans for the three month period from February 1, 1983 to April 30, 1983. Retained Earnings as at April 30, 1983 has been adjusted to reflect gains on First Preferred Shares Series A purchased for cancellation since January 31, 1983, and the gains on First Preferred Shares Series A purchased prior to January 31, 1983 which were previously included in Contributed Surplus.

The Royal Bank of Canada

The Bank was chartered under the laws of the Province of Nova Scotia in 1869 and commenced operations in Halifax, Nova Scotia, in that year. Since 1871 the Bank has been a chartered bank under the Bank Act (Canada). The Bank's head office is located in The Royal Bank of Canada Building, 1 Place Ville Marie, Montreal, Quebec.

The Bank is a Schedule A bank under the Bank Act, 1980-81-82 Statutes of Canada Ch. 40 (the ''Act'') and the Act is its charter. In accordance with the Act, the Bank may engage in and carry on such business generally as appertains to the business of banking. The Act also provides for the appointment of an Inspector General of Banks who is responsible to the Minister of Finance of Canada for the administration of the Act. It is his duty to examine and inquire into the business and affairs of each bank chartered under the Act to ensure that its provisions, having regard to the safety of the interests of the depositors, creditors and shareholders of banks, are being observed and that the banks are in sound financial condition. Reports of his examinations and inquiries are submitted to the Minister of Finance.

Business of the Bank

The Bank is the largest Canadian chartered bank and ranked fourth as at December 31, 1982 among North American banks in terms of total assets. In Canada, the Bank provides a full range of personal, commercial and corporate banking services in branches located in all the provinces and territories. The Bank conducts business on a global basis through approximately 100 foreign branches, representative offices and agencies and more than 100 subsidiaries and affiliates.

Overview of Financial Results

The following table sets out certain financial information concerning the Bank for the five years ended October 31, 1982 and the three months ended January 31, 1983 and 1982:

	Three months ended January 31		Year ended October 31					Compound annual growth rate (1)
	1983	1982	1982	1981	1980	1979	1978	
	(unaudited)		(millions of dollars except per share information)					
Total assets	$86,886	$87,764	$88,456	$85,359	$61,482	$50,676	$40,603	20.9%
Securities	6,986	7,237	6,795	7,346	6,567	6,104	4,674	14.3
Loans	59,856	57,845	60,284	57,131	40,805	32,713	26,977	21.2
Deposit liabilities	76,610	77,895	78,405	76,865	55,833	46,575	37,564	19.7
Net income (2)	112	81	358	478	348	290	261	13.7
As a percentage of average total assets	.50% (3)	.37% (3)	.40%	.65%	.62%	.63%	.70%	
As a percentage of average Capital and Reserves	15.3% (3)	11.4% (3)	12.8%	19.7%	17.8%	17.9%	19.2%	
Per Common Share:								
Common Shareholders' Equity	$29.30	$28.26	$28.63	$27.68	$24.20	$21.05	$18.53	12.3
Appropriations for Contingencies	0.74	2.93	1.19	3.11	2.66	2.90	1.78	
Less provision for taxation on Appropriations for Contingencies	(0.37)	(1.47)	(0.60)	(1.58)	(1.34)	(1.41)	(0.86)	
	$29.67	$29.72	$29.22	$29.21	$25.52	$22.54	$19.45	15.4

(1) From November 1, 1977 to October 31, 1982

(2) Net income is after income taxes and minority interests in subsidiaries

(3) Annualized

Net income for the three months ended January 31, 1983 was $112 million, an increase of 39.3% over the corresponding period in 1982. Net income for the year ended October 31, 1982 was $358 million, a decrease of $120 million or 25.2% from the previous year. Net income per Common Share (on a fully diluted basis) for the three months ended January 31, 1983 was $1.12 an increase of $0.25 or 28.7% from the corresponding period in 1982, and for the 1982 fiscal year was $3.68, a decrease of $2.03 or 35.6% from 1981. As at January 31, 1983 total assets were $86.9 billion, a decrease of $0.8 billion from the previous period and $1.6 billion lower than at October 31, 1982. Total assets amounted to $88.5 billion at October 31, 1982 up 3.6% from October 31, 1981.

The following table sets out the Bank's assets and results of operations over the same periods as the previous table but segregated into domestic and international operations:

	Three months ended January 31		Year ended October 31					Compound annual growth rate (1)
	1983	1982	1982	1981	1980	1979	1978	
	(unaudited)		(millions of dollars)					
Average Assets								
Domestic	$56,793	$55,629	$55,983	$48,878	$36,462	$31,967	$25,251	21.2%
International	$31,598	$31,176	$32,549	$24,610	$19,798	$14,206	$12,074	25.9%
Net Income								
Domestic	$69	$33	$162	$262	$154	$162	$161	8.3%
International	$43	$48	$196	$216	$194	$128	$100	19.8%
Percentage of Net Income								
Domestic	61.5%	40.7%	45.4%	54.8%	44.2%	55.9%	61.6%	
International	38.5%	59.3%	59.3%	45.2%	55.8%	44.1%	38.4%	
Return on average assets								
Domestic	.48% (2)	.23% (2)	.29%	.54%	.42%	.51%	.64%	
International	.54% (2)	.61% (2)	.60%	.88%	.98%	.90%	.83%	

(1) For the years ended October 31, 1977 to October 31, 1982

(2) Annualized

Organization of the Bank

The business of the Bank is managed through five divisions: Canada, National Accounts, World Trade and Merchant Banking, International, and Finance and Investments. Canada Division is responsible for commercial and retail banking services in Canada. National Accounts deals with the financial needs of large corporations. World Trade and Merchant Banking provides services to exporters and importers and oversees the Bank's world-wide merchant banking operations. International Division provides banking services through operating units in 46 countries. Finance and Investments has responsibility for corporate financial management and strategies, the management of term deposits and other purchased funds, the investment portfolios and the raising of capital.

Canada Division

In Canada the Bank maintains a network of approximately 1,500 branches. These report to seven field headquarters which in turn report to corporate headquarters in Montreal.

Retail Banking. The Bank's retail operation offers a wide range of personal banking services and banking services to independent businesses and agricultural clients. Deposit facilities include savings accounts, chequing accounts and term deposits. In addition, branches offer investment certificates of Royal Bank Mortgage Corporation, a wholly-owned subsidiary, and registered retirement savings plans and other plans registered under the Income Tax Act (Canada). Consumer credit facilities include instalment loans, mortgage lending and credit card services.

Commercial Banking. Commercial banking services include operating and term lending facilities, foreign exchange services and letters of credit. There are also programs designed for the particular needs of various businesses such as those in the energy and agriculture sectors. Other specialized services include Commercial Finance Centres to coordinate sales financing, Automated Services to provide payroll, pre-authorized payments and lockbox services, and a complete financial program for both franchisors and franchisees. Cash management services enable clients to obtain account balance and transaction information, to transfer funds between accounts, to initiate payments on a world-wide basis and to receive current money market and foreign exchange rate information.

RoyLease Limited, a wholly-owned subsidiary of the Bank, provides commercial lease financing.

National Accounts Division

The Bank's National Accounts Division makes financing available to select major corporations in virtually all industry sectors and coordinates their total banking needs.

World Trade and Merchant Banking Division

World Trade and Merchant Banking Division services exporters and importers in Canada and other countries. In Canada, trade services are available through the Bank's seven International Centres situated in principal cities while offshore trade business is pursued and serviced through and with International Division officers stationed around the world.

Merchant banking services are available globally. In Canada, these services, including project finance and loan syndications, are provided by divisional officers directly. In other centres, merchant banking services are provided through wholly-owned subsidiaries primarily Orion Royal Bank Limited in London and Orion Royal Pacific Limited in Hong Kong.

International Division

The Bank has an extensive international network which includes more than 200 operating units in 46 countries, made up of specialized banking groups, full service branches, representative offices, agencies and subsidiaries. In addition, the Bank maintains approximately 4,000 correspondent banking relationships around the world.

The Bank has decentralized its international operations into six geographical areas.

The United States operations are headquartered in New York City, and include The Royal Bank and Trust Company, a wholly-owned subsidiary in New York, agencies in New York, Miami and San Francisco, a branch in Portland, Oregon and representative offices in six other major cities.

The Latin America and Caribbean area operations are based in Coral Gables, Florida. In this area the Bank is represented in 25 countries through an extensive branch network comprising 69 branches, as well as numerous subsidiaries and affiliates which provide a wide range of banking services.

The Bank's headquarters for the United Kingdom, Ireland and Nordic Countries area is in London, a focal point for such activities as eurocurrency loan underwriting, syndications and project financing. The Bank and its subsidiaries maintain significant branch banking operations in the area.

The Continental Europe operations are based in Paris where the Bank has a branch and a subsidiary. In West Germany, the Bank's subsidiaries provide full banking services and there are subsidiaries and affiliates in the Netherlands, Switzerland, Belgium and representative offices in three major continental cities.

The Bank's Middle East and Africa area operations which are conducted from London, include a branch in Dubai, subsidiaries in Beirut and Athens and representative offices in Bahrain and Cairo.

The Asia Pacific operations are headquartered in Hong Kong where the Bank has a full service branch and is active in both the capital and syndicated loan markets through its merchant banking subsidiary, Orion Royal Pacific Limited. The Bank has representative offices in Bangkok, Beijing (formerly Peking), Melbourne and Sydney, with branches in Seoul, Singapore and Tokyo.

International Money Markets. The Bank maintains extensive foreign exchange trading operations involving all major currencies in the key money centres of the world.

The Bank is also prominent in the euro-currency market and its money market centres will quote rates for deposits in several currencies.

Syndicated Lending. The Bank participates in syndicated and consortium loans frequently as manager or co-manager. These loans, which are often in excess of $500 million, have included capital project financing and loans for hydroelectric, oil and gas and other major development projects.

Finance and Investments Division

The Finance and Investments Division includes the Treasury Department, the Control and Financial Planning Department and the Corporate Secretary's Department. The Treasury Department, among other activities, funds the loan portfolio, sets rates for term deposits and other purchased funds, manages the Bank's securities portfolios and that of its Pension Fund and raises capital funds for the Bank and its subsidiaries.

Reorganization

The Bank's organization structure is being modified and the resultant organizational structure is expected to be fully operational by June 1, 1983. The President will become Chief Operating Officer and will have strategic management responsibility for Domestic Banking, International and Corporate Banking, and Financial Control and Administration. Each of these groups will be under the direction of a Senior Executive Vice-President. Domestic Banking will include: Commercial Banking and National Accounts, Retail Banking Canada and Global Energy. International and Corporate Banking will include: International Banking, World Corporate Banking, Merchant Banking, and World Trade Services. Financial Control and Administration will include: Control and Financial Planning, Operations and Systems, Productivity and Organization, Real Estate Resources and the Corporate Secretary's Department, and will also have strategic responsibility for Royal Bank Realty Inc., the Bank's wholly-owned subsidiary which holds and administers much of the Bank's real estate. The organization changes include abolition of the Finance and Investments Division. In its place, the financial planning and control functions will become part of a new Financial Control and Administration Division (which, as noted above, will report to the President). The treasury and investments functions are being combined with foreign exchange and money market operations on a global basis to form a new Treasury and Money Markets Division under an Executive Vice-President reporting to the Vice-Chairman in Montreal.

Classification of Assets

The classification of the Bank's assets as at the dates indicated and the percentage of gross revenue derived therefrom for the periods then ended are as set forth in the table below:

	January 31		October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
Percentage of assets devoted thereto as at such dates:							
Loans	68.9%	65.9%	68.2%	66.9%	66.4%	64.6%	66.4%
Investment in securities of corporations, other than subsidiaries of the Bank	4.8	5.1	4.9	4.8	6.2	7.1	5.7
Investment in securities of Canada, its provinces and municipalities	3.2	3.1	2.8	3.8	4.5	5.0	5.8
Deposits with banks	13.7	16.0	14.9	14.8	15.3	15.0	13.4
Other business	9.4	9.9	9.2	9.7	7.6	8.3	8.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of gross revenue derived therefrom for the periods ended:							
Loans	75.0%	73.5%	74.5%	73.2%	70.6%	71.5%	72.8%
Investment in securities of corporations, other than subsidiaries of the Bank	3.3	3.3	3.5	3.5	4.5	5.2	3.4
Investment in securities of Canada, its provinces and municipalities	2.9	3.2	2.7	3.4	4.1	4.6	5.7
Deposits with banks	12.6	15.7	14.7	15.5	15.6	12.5	10.4
Other business	6.2	4.3	4.6	4.4	5.2	6.2	7.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cash Resources

The following table shows the cash resources of the Bank as at the dates indicated:

	January 31		October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
			(millions of dollars)				
Notes and coins of, and deposits with, the Bank of Canada	$ 1,516	$ 2,079	$ 1,713	$ 1,607	$ 1,506	$1,544	$1,334
Foreign currency notes and coins	48	41	44	49	49	43	85
Deposits with other banks							
Canadian currency	393	320	729	532	537	451	618
Foreign currency	11,472	13,732	12,443	12,140	8,895	7,150	4,809
Cheques and other items in transit, net	327	812	89	1,524	155	564	617
Total Cash Resources	$13,756	$16,984	$15,018	$15,852	$11,142	$9,752	$7,463

Primary and Secondary Reserve Requirements

The Bank Act requires that a bank maintain a primary reserve in Canadian currency in the form of coins, notes or deposits with the Bank of Canada. For the six month period commencing March 1, 1983, this reserve must not be less on the average during any month than an amount equal to the aggregate of 10¾% (which reduces by ¼% every six months to 10% by September 1984) of Canadian currency demand deposit liabilities, 2% of Canadian currency notice deposit liabilities plus 1 3/8% (which reduces by 1/8% every six months to 1% by September 1984) of the amount by which Canadian currency notice deposit liabilities exceed $500 million, and 3% of the foreign currency deposit liabilities held in Canada by Canadian residents. The assets comprising the primary reserve are non-income producing.

The Bank Act also empowers the Bank of Canada to require a bank to maintain, in addition to the primary reserve, a secondary reserve in the form of excess primary reserves, Government of Canada treasury bills and day loans to investment dealers at such percentage of its deposit liabilities subject to primary reserve requirements as may be fixed by the Bank of Canada pursuant to the Bank of Canada Act. Under this Act, the secondary reserve requirements may not be greater than 12%. The present requirement is 4%.

The reserves which a bank is required to maintain are determined by reference to the assets and liabilities of the bank itself, of its wholly-owned foreign subsidiaries and of its subsidiaries (wholly or partially owned) that are factoring corporations or leasing corporations. However, the Bank Act states that some specific deposit liabilities are not included for reserve purposes, such as some deposits under registered retirement savings plans, registered home ownership savings plans and registered retirement income funds and Canadian currency deposits of non-residents with branches of a bank outside Canada or with offices outside Canada of its subsidiaries.

As at January 31, 1983 the Bank was in compliance with its primary and secondary reserve requirements having held a daily average of $1,265 million in primary reserves against a requirement of $1,262 million and a daily average of $2,315 million in secondary reserves against a requirement of $1,416 million.

Securities

The Bank holds various types of securities to provide a measure of liquidity, to give clients an alternative means of financing through the purchase of their preferred shares and income debentures, and to provide an inventory for trading purposes. Securities are in some cases held as long-term investments. Investment decisions are made by the Treasury Department in accordance with established policies and guidelines.

The table below shows the breakdown of securities held as at the dates indicated:

	January 31		October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)		(millions of dollars)				
Issued or guaranteed by Canada:							
Treasury Bills (all having a maturity of one year or less) .	$2,315	$2,464	$2,221	$2,793	$2,097	$1,755	$1,207
Other securities maturing within three years.	165	151	150	282	200	146	405
Other securities.	217	21	55	73	340	445	596
	2,697	2,636	2,426	3,148	2,637	2,346	2,208
Issued or guaranteed by provinces	45	32	21	33	45	73	54
Issued or guaranteed by municipal or school corporations in Canada	34	54	40	60	83	105	104
Other Debt Securities:							
Floating rate income debentures	619	758	748	836	925	918	751
Floating rate small business development bonds.	714	885	806	440	6	—	—
Other	592	717	629	676	759	545	599
Equity Securities:							
Floating rate preferred shares . .	1,876	1,883	1,826	1,916	1,862	1,836	706
Associated corporations	95	79	83	166	98	226	201
Other	314	193	216	71	152	55	51
Total Securities.	$6,986	$7,237	$6,795	$7,346	$6,567	$6,104	$4,674

The valuation of securities is governed by instructions issued by the Minister of Finance of Canada. Securities held in the investment portfolio are carried at cost (less writedowns for permanent impairment in value, the aggregate amount of which writedowns for the period October 31, 1978 to January 31, 1983 have not been significant) in the case of shares and at amortized value in the case of interest-bearing securities. The writedowns for permanent impairment in value for the three months ended January 31, 1983 amounted to approximately $4,000,000. Securities held in the trading account (which amounted to approximately $141 million as at January 31, 1983) are recorded at market value. The aggregate market value of securities held by the Bank as at January 31, 1983 (based on an estimate of the market value of certain securities which do not have a ''quoted'' market price) was $6,968 million.

The increase in the security categories of floating rate preferred shares, small business development bonds and income debentures is due primarily to the Bank's purchase of these securities to accommodate corporations which have chosen to issue such securities as an alternative to loans. Dividends or interest received on these securities are exempt from tax when received by the Bank.

Loan Portfolio

The Bank lends to individuals, corporations and government borrowers and makes loans to and deposits with other banks. Approximately 78% of the dollar amount of the Bank's loan portfolio bears interest at rates related to the Bank's prime rate or the London interbank offered rate (''LIBOR''), which may vary from time to time to reflect market conditions. Most mortgages held are amortized over 25 years but are written with terms of one to five years at a fixed interest rate. Accordingly, interest rates on mortgages are adjusted to prevailing market rates at least every five years. Personal instalment loans have fixed interest rates and terms. The majority of personal instalment loans mature in less than three years.

Most credit applications are initially received and reviewed at the branch level. Depending on their size they may be approved at the branch level or at progressively more senior management levels of the Bank. Loans are reviewed at least annually by credit officers of the Bank and major loans are reviewed by senior management. The Board of Directors is informed about the more sensitive of such major loans.

Country or sovereign risk exposure is managed by assessing the economic, business and political conditions in each area of the world in which the Bank extends credit and by establishing lending limits to specific clients and countries.

The following table is a breakdown of loans (excluding deposits with other banks but including lease receivables) by classification of borrower (prepared as at the dates indicated for statutory reporting purposes rather than quarter-end or fiscal year-end):

	December 31,		September 30				
	1982	1981	1982	1981	1980	1979	1978
	(unaudited)		(millions of dollars)				
Residents of Canada							
Mortgages:							
Insured under National Housing Act	$ 2,333	$ 2,486	$ 2,373	$ 2,482	$ 2,299	$ 2,140	$ 1,826
Conventional	4,317	4,065	4,280	3,879	2,310	2,014	1,526
Other	766	688	789	527	300	102	3
Loans to individuals	7,867	7,732	7,554	7,814	6,395	5,764	5,070
Agricultural	2,136	1,829	2,168	1,968	1,921	1,765	1,473
Financial institutions	2,931	3,483	2,930	1,912	1,595	821	563
Merchandisers	3,432	3,732	3,664	2,792	2,187	1,834	1,383
Manufacturing and industrial	8,655	9,448	9,411	8,741	3,756	3,544	3,331
Construction and real estate	3,600	3,166	3,714	3,463	2,119	1,769	1,646
Other Canadian residents	6,152	5,006	6,117	5,392	3,952	3,706	2,909
Total residents of Canada	42,189	41,635	43,000	38,970	26,834	23,459	19,730
Non-residents	18,601	17,568	17,643	16,950	11,560	9,028	7,143
Total Loans (excluding deposits with other banks)	$60,790	$59,203	$60,643	$55,920	$38,394	$32,487	$26,873

The Bank's portfolio of foreign currency loans, including deposits with other banks, amounted to $36,332 million, as at December 31, 1982. The Bank's policy is to fund loans in a given currency with deposits from the same currency. In the event that this is not done, any resulting foreign exchange exposure is ordinarily fully hedged.

The following table is a geographic breakdown of earning assets (loans, deposits with other banks and securities) of the Bank's international operations as at October 31, 1982, 1981 and 1980 compiled on the basis of residence of the borrower, or, if guaranteed, of the guarantor.

	1982	1981	1980
		(millions of dollars)	
Latin America & Caribbean	$ 7,155	$ 6,698	$ 5,614
Continental Europe	6,810	7,102	4,921
United States	5,868	6,868	4,032
United Kingdom, Ireland & Nordic Countries	5,279	5,474	3,736
Canada	3,324	2,125	1,344
Asia Pacific	3,142	2,497	1,560
Middle East & Africa	550	620	477
Total Earning Assets	$32,128	$31,384	$21,684

There has been no material change in the geographic breakdown of the Bank's earning assets since October 31, 1982.

Although there are foreign exchange restrictions in certain of the countries in which the Bank carries on its operations, these restrictions do not have any material effect on the Bank's international operations.

Listed below are those foreign countries in which earning assets as at October 31, 1982 exceeded 1% of the total loans (including deposits with other banks) of the Bank:

	(millions of dollars)
United States	$ 5,868
United Kingdom	4,159
West Germany	1,521
Mexico	1,279
France	1,239
Puerto Rico	1,098
Japan	1,023
Belgium	879
Brazil	812
Total	$17,878

The residences of the borrowers, or, if guaranteed, of the guarantors, of the balance of the earning assets of the Bank's international operations which amounted to $14,205 million as at October 31, 1982 were in more than 100 countries throughout the world. $3,966 million were in Latin America and Caribbean, $3,171 million in Continental Europe, $1,120 million in Ireland and Nordic Countries, $2,119 million in Asia Pacific, $550 million in Middle East and Africa and $3,324 million in Canada.

Since October 31, 1982 there have been no foreign countries other than those disclosed in the table above in which earning assets exceeded 1% of the total loans (including deposits with other banks) of the Bank and there has been no material change in the amount of earning assets in the foreign countries set out above.

Loan Loss Experience, Provision for Loan Losses and Appropriations for Contingencies

The loan loss experience for a year is the aggregate principal amount of loans written off in that year, plus net new specific provisions (the amounts of which are initially recommended by the responsible credit officers and subsequently approved by senior management) made on loans identified as potentially having to be written off in the future, less amounts recovered on loans previously written off. Specific provisions on loans are made with due consideration of the economic outlook in both the domestic and international areas. Loan loss experience does not include amounts in respect of accrued interest on such loans, the accrued interest having been reversed as explained in the section ''Non-Productive Loans'' under ''Management's Discussion and Analysis of the Results of Operations''. The amount reported under ''Loans'' on the Bank's Consolidated Statement of Assets and Liabilities is net of specific provisions. Loan loss experience is charged to Appropriations for Contingencies.

The provision for loan losses (based upon a formula prescribed by the Minister of Finance designed to average the loan loss experience over a five-year period) is charged to the Bank's Consolidated Statement of Income and credited to Appropriations for Contingencies. The provision for loan losses is calculated by multiplying the ratio of the sum of the loan loss experience to the sum of the eligible loans outstanding over a five-year period, including the current year, by the year-end balance of eligible loans.

The Appropriations for Contingencies, a component of the Bank's capital funds, appears under ''Capital and Reserves'' on the Bank's Consolidated Statement of Assets and Liabilities. In addition to being affected by the loan loss experience and the provision for loan losses as explained in the preceding paragraphs, the Appropriations for Contingencies may also be increased annually by transferring from Retained Earnings an additional amount with respect to possible unidentified losses on loans.

The following table shows the loan loss experience for domestic and international operations and the amount of the loan loss provision for the fiscal years 1978 to 1982 and the three months ended January 31, 1983 and 1982.

	Three months ended January 31 (1)		Year ended October 31				
	1983	1982	1982	1981	1980	1979	1978
Loan Loss Experience	(unaudited)						
Domestic			(millions of dollars)				
Consumer instalment loans and VISA	$ 23.0	$ 11.0	$ 59.8	$ 36.5	$ 25.1	$ 18.6	$ 19.2
Business and other loans	83.3	39.5	470.2	107.6	65.9	46.9	38.3
	106.3	50.5	530.0	144.1	91.0	65.5	57.5
International	43.7	26.5	149.6	74.5	56.0	(0.7)	12.5
Total loan loss experience	150.0	77.0	679.6	218.6	147.0	64.8	70.0
Provision for loan losses based on five-year experience	(113.0)	(63.0)	(344.0)	(185.6)	(124.4)	(106.0)	(96.5)
Charge (credit) to Appropriations for Contingencies	$ 37.0	$ 14.0	$ 335.6	$ 33.0	$ 22.6	$ (41.2)	$ (26.5)
Eligible Loans (2)							
Domestic							
Consumer instalment loans and VISA	$ 5,200	$ 5,000	$ 4,962	$ 5,013	$ 4,042	$ 3,566	$ 2,990
Business and other loans	44,000	43,200	40,395	34,599	23,272	18,629	15,363
Sub-total	49,200	48,200	45,357	39,612	27,314	22,195	18,353
International	23,400	23,300	21,204	19,038	12,495	9,827	7,685
Total	$72,600	$71,500	$66,561	$58,650	$39,809	$32,022	$26,038
Loss experience as a percentage of eligible loans							
Domestic							
Consumer instalment loans and VISA	1.77%	.88%	1.21%	.73%	.62%	.52%	.64%
Business and other loans	.76%	.37%	1.16%	.31%	.28%	.25%	.25%
Sub-Total	.86%	.42%	1.17%	.36%	.33%	.30%	.31%
International	.75%	.45%	.70%	.39%	.45%	—	.16%
Total	.83%	.43%	1.02%	.37%	.37%	.20%	.27%

(1) For the three months ended January 31 loan loss experience and the provision for loan losses based on five year experience represent one quarter of the total respective amounts (estimated as at January 31) for the fiscal year ending October 31. Eligible loans which are calculated only at fiscal year ends represent the estimated October 31 amounts. Loss experience as a percentage of eligible loans is shown on an annualized basis.

(2) Eligible loans include letters of credit, acceptances and guarantees but exclude loans to, or guaranteed by, the government of Canada or a province and the governments of the United States and the United Kingdom.

Throughout each year, on a quarterly basis, the Bank estimates its annual loan loss experience for that year based upon the best information available to it at that time and reflects an appropriate percentage thereof in its quarterly results. The provision for loan losses is similarly determined. Since January 31, 1983 there have been sufficient indications to suggest that total loan loss experience in fiscal 1983 might exceed fiscal 1982 experience by approximately 10%. Based on such an increase in total loan loss experience and on an updated estimate of October 31, 1983 eligible loans of $69 billion, the provision for loan losses for fiscal 1983 would amount to $470 million, up from $344 million in fiscal 1982.

A discussion of loan losses and non-productive loans is included under "Management's Discussion and Analysis of the Results of Operations".

In addition to the provision for loan losses based on the five-year average loan loss experience, an annual appropriation for losses may be made from Retained Earnings. This is intended to provide for future losses yet to be identified in respect of loans. The Bank's accumulated appropriations for contingencies consist entirely of tax-deductible amounts. The tax-deductible appropriations for contingencies are limited to an amount equal to 1½% of the first $2 billion of eligible assets as at the fiscal year-end plus 1% of the remainder of these eligible assets net of specific provisions for losses relating to such assets.

The following table sets forth the Bank's Appropriations for Contingencies for the periods indicated:

	Three months ended January 31		Year ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)		(millions of dollars)				
Balance at Beginning of Period (all tax-deductible)	$100.9	$257.8	$257.8	$213.1	$212.1	$129.9	$ 64.3
Loss experience on loans	(150.0)(1)	(77.0)(1)	(679.5)	(218.5)	(147.0)	(64.8)	(70.0)
Provision for loan losses included in the Consolidated Statement of Income	113.0(1)	63.0(1)	344.0	185.6	124.4	106.0	96.5
Transfer from Retained Earnings (2)	—	—	178.6	77.6	23.6	41.0	39.1
Balance at End of Period (all tax-deductible)	$ 63.9	$243.8	$100.9	$257.8	$213.1	$212.1	$129.9

(1) For the three months ended January 31 loan loss experience and the provision for loan losses based on five-year experience represent one quarter of the total respective amounts (estimated as at January 31) for the fiscal year ending October 31.

(2) Transfer from Retained Earnings is made only at the Bank's financial year-end.

Deposit Liabilities

The following table shows the classification of deposit liabilities of the Bank as at the dates indicated:

	January 31		October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)		(millions of dollars)				
Canadian Dollar Deposit Liabilities to:							
Canada	$ 1,309	$ 1,870	$ 696	$ 844	$ 810	$ 629	$ 1,104
Provinces	33	81	48	66	83	149	130
Banks	1,128	599	1,019	813	355	326	404
Individuals	25,615	23,478	25,976	23,924	19,894	15,829	13,086
Other	11,897	13,318	13,340	13,309	10,759	9,135	8,165
Total Canadian Dollar Deposit Liabilities	39,982	39,346	41,079	38,956	31,901	26,068	22,889
Foreign Currency Deposit Liabilities to:							
Banks	18,884	20,441	18,744	19,736	11,331	10,025	6,974
Individuals	6,338	5,336	6,055	5,338	3,995	3,515	3,069
Other	11,406	12,772	12,527	12,835	8,606	6,967	4,632
Total Foreign Currency Deposit Liabilities	36,628	38,549	37,326	37,909	23,932	20,507	14,675
Total Deposits	$76,610	$77,895	$78,405	$76,865	$55,833	$46,575	$37,564

The Bank has a diversified deposit liability base. Savings of individuals which represent a very stable source of funds accounted for 64% of Canadian dollar deposit liabilities and 42% of the total deposit liabilities as at January 31, 1983. Foreign currency deposit liabilities have increased primarily due to the Bank's expansion of international operations and also to the appreciation of certain foreign currencies against the Canadian dollar.

The Bank obtains approximately 75% of its foreign currency deposit liabilities from its activities in the eurocurrency markets.

Capital Funds

A basic financial strategy followed by the Bank is to require that over time there be an increase in total Bank capital which closely corresponds to the growth in total assets and deposit liabilities. This policy is intended to ensure that the level of capital funds employed is adequate in relation to the nature of the Bank's activities and to the dollar amount of assets and liabilities.

Capital funds of the Bank are considered to include subordinated debentures of the Bank, appropriations for contingencies, all classes of common and preferred shares, contributed surplus and retained earnings.

	January 31		October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)		(millions of dollars)				
Common Equity	$2,524	$2,353	$2,428	$2,293	$1,942	$1,540	$1,357
Appropriations for Contingencies	64	244	101	258	213	212	130
Total Common Shareholders' Equity	2,588	2,597	2,529	2,551	2,155	1,752	1,487
Convertible Preferred Shares	210	210	210	—	—	—	—
Preferred Shares	143	148	144	150	154*	159*	—
Total Equity	2,941	2,955	2,883	2,701	2,309	1,911	1,487
Convertible Subordinated Debentures	360	360	360	100	—	—	—
Total Equity and Equity Equivalents	3,301	3,315	3,243	2,801	2,309	1,911	1,487
Subordinated Debentures	763	678	761	679	682*	520	414
Total Capital Funds	$4,064	$3,993	$4,004	$3,480	$2,991	$2,431	$1,901
Assets to Total Equity	29.5:1	29.7:1	30.6:1	31.6:1	26.6:1	26.5:1	27.3:1
Assets to Total Capital Funds	21.4:1	22.0:1	22.1:1	24.5:1	20.6:1	20.9:1	21.4:1

* Includes exchangeable capital of subsidiaries.

Debenture Maturities, Sinking Fund and Purchase Fund Requirements

The aggregate maturities and sinking fund requirements for the next five years of the Banks' debentures outstanding as at April 30, 1983 amounted to $463 million.

The aggregate maturities and sinking fund requirements of the Bank's debentures as at April 30, 1983 are shown in the following table:

	April 30, 1983
	(millions of dollars)
Within 1 year	44
From 1 to 2 years	81
From 2 to 3 years	6
From 3 to 5 years	332
From 5 to 10 years	581
Over 10 years	76
	$1,120

The annual purchase fund requirement of the Bank's outstanding First Preferred Shares Series A amounts to a maximum of $4.8 million.

The annual purchase fund requirement of the Bank's outstanding Second Preferred Shares Series A will commence January 1, 1989 and may amount to a maximum of $8.4 million per year. This purchase fund requires that the Bank acquire on a "best efforts" basis at a price not exceeding $25 per share, 1% per quarter of the outstanding shares as at December 10, 1988 which have not been converted or retracted at the option of the holder of these shares.

Real Estate

The Bank, either directly or through its wholly-owned subsidiary, Royal Bank Realty Inc., owns premises occupied by 566 branches and offices. A further 992 branches are located in leased premises. In addition, the Bank owns seven Central Processing Centres across Canada and major office complexes in Toronto and Ottawa. As at January 31, 1983, the net book value of the Bank's real estate properties amounted to $566.6 million, exclusive of furniture, fixtures and equipment and leasehold improvements. The market value of the Bank's real estate properties is not available.

Personnel

As at January 31, 1983 the Bank had approximately 38,700 employees throughout the world of whom approximately 33,400 were located in Canada. The Canada Labour Relations Board has ruled that a single Canadian branch may be certified as a bargaining unit for the purpose of negotiating contracts and as at January 31, 1983, fourteen branches involving 155 employees were certified. In addition, two foreign branches involving 69 employees were certified.

Data Processing

The Bank has one of the largest computer operations in North America and considers itself a leader in automation. Its systems and network design put it in a position to take advantage of new technology and market opportunities. The Bank's automation thrust worldwide is a major contributing factor in its ability to compete aggressively in world markets. Central processing centres at which banking records are maintained are operated in six cities across Canada, while internationally there are 18 processing centres, including those of subsidiaries and affiliates.

Data centre control and audit functions are reviewed on an ongoing basis and strict measures are in place to maintain the security of data and uninterrupted operations.

Management's Discussion and Analysis of the Results of Operations

Earnings

The operating results of the Bank for the three months ended January 31, 1983 and 1982 and for the three years ended October 31, 1982 are set forth below. These results reflect net interest income on a taxable equivalent basis for ease of discussion. The taxable equivalent basis of net interest income or "spread" takes into account the effect of tax exempt income earned on certain Canadian securities thus permitting a uniform measurement of the difference between the yield on assets and the interest cost of deposits and debentures.

	Three months ended January 31		Year ended October 31		
	1983	1982	1982	1981	1980
	(unaudited)		(millions of dollars)		
Net interest income and other income					
Net interest income					
(taxable equivalent basis*)	$579.0	$456.0	$2,096.5	$1,998.4	$1,588.4
Provision for loan losses	113.0	63.0	344.0	185.6	124.4
Net interest income after provision for loan losses	466.0	393.0	1,752.5	1,812.8	1,464.0
Other income	162.4	138.2	582.9	500.4	377.6
	628.4	531.2	2,335.4	2,313.2	1,841.6
Non-interest expenses					
Salaries and staff benefits	269.7	241.7	1,036.0	862.6	738.1
Premises and equipment	67.7	56.3	255.9	203.0	176.9
Other	89.4	85.4	382.0	318.4	274.7
	426.8	383.4	1,673.9	1,384.0	1,189.7
Net income before income taxes	201.6	147.8	661.5	929.2	651.9
Income taxes (taxable equivalent basis)*	89.0	67.1	303.3	446.9	291.1
Net income before minority interest	112.6	80.7	358.2	482.3	360.8
Minority interests in subsidiaries	0.2	—	0.6	4.1	12.8
Net income	$112.4	$ 80.7	$ 357.6	$ 478.2	$ 348.0
Percent increase (decrease) over previous comparative period	39.3%	(42.1)%	(25.2)%	37.4%	20.1%
Derived from:					
Domestic operations	$69.1	$32.5	$162.2	$262.1	$153.9
Percent increase (decrease) over previous comparative period	112.6%	(63.2)%	(38.1)%	70.3%	(4.9)%
Percent of total net income	61.5%	40.3%	45.4%	54.8%	44.2%
International operations	$43.3	$48.2	$195.4	$216.1	$194.1
Percent increase (decrease) over previous comparative period	(10.2)%	(5.5)%	(9.6)%	11.3%	51.9%
Percent of total net income	38.5%	59.7%	54.6%	45.2%	55.8%
Net income					
Per Common Share — Basic	$1.22	$0.88	$3.87	$5.75	$4.74
— Fully diluted	$1.12	$0.87	$3.68	$5.71	$4.74
Percent increase (decrease) over previous comparative period (fully diluted)	28.7%	(49.7)%	(35.6)%	20.5%	19.7%

*Includes amounts grossed-up to express non-taxable income from Canadian securities, including income from income debentures, term preferred shares and other preferred and common shares, on a fully taxable equivalent basis. This amount is also included in the provision for income taxes. The amounts of the gross-up in net interest income for the three months ended January 31, 1983 and 1982 are $63.0 million and $84.2 million, respectively, and for the years ended October 31, 1982, 1981, and 1980 the amounts are $331.2 million, $286.7 million and $230.2 million, respectively.

The differences since 1980 between the percentage change in net income and net income per Common Share is the result of the increased number of Common Shares outstanding following a rights offering of the Bank in October 1980 and the issue by the Bank since 1980 of Common Shares or securities convertible into Common Shares. In general, the issue of additional capital may result in some dilution of income per share on a fully diluted basis. However, such additional capital may permit the Bank to sustain higher levels of loans and other assets which can be expected to generate income.

Return on Assets

After-tax return on average total assets is a measurement of profitability relative to volume of business. The following table sets forth the after-tax return on average total assets for domestic and international operations, and for the total operations of the Bank:

	Three months ended January 31 (1)		Year ended October 31		
	1983	1982	1982	1981	1980
	(unaudited)				
Domestic	.48%	.23%	.29%	.54%	.42%
International	.54%	.61%	.60%	.88%	.98%
Total	.50%	.37%	.40%	.65%	.62%

(1) Annualized

After-tax return on average total assets decreased in 1982 to 0.40% from 0.65% for 1981. This is also considerably lower than the average return on assets of 0.62% for 1980. The decrease was largely due to reduced interest margins, substantially increased levels of non-productive loans, increased provision for loan losses, and escalation of non-interest expenses.

The after-tax return on average total assets for the three months ended January 31, 1983 was 0.50% which was an increase of 0.13% from the corresponding period in 1982. This increase was the result of the improvement in net interest income during the period caused by a stable and lower interest rate environment.

The following shows factors which influenced net income over the years indicated:

	Three months ended January 31		Year ended October 31		
	1983	1982	1982	1981	1980
	(unaudited)				
Increase in average total assets over the corresponding previous period	1.8%	35.0%	20.5%	30.6%	21.8%
Level of average non-productive loans net of specific provisions as a percentage of average total assets	2.90%	.46%	1.41%	.31%	.36%
Net interest income (taxable equivalent basis) as a percentage of average total assets	2.60%(1)	2.08%(1)	2.37%	2.72%	2.82%
Provision for loan losses as a percentage of average total assets	.51%(1)	.29%(1)	.39%	.25%	.22%
Non-interest expenses as a percentage of average total assets	1.92%(1)	1.75%(1)	1.89%	1.88%	2.11%

(1) Annualized

Average Total Assets

Fluctuations in the growth rate of average total assets are primarily the result of variations in the level of loan demand. With respect to international operations, fluctuations in exchange rates also affect the levels of average foreign currency assets.

Non-Productive Loans

Non-productive loans are defined by the Bank as loans where interest remains uncollected for 90 days beyond the scheduled due date. In addition, other loans which are not yet in arrears may be classified by the management of the Bank as non-productive where there is doubt as to the ultimate collectibility of a portion of principal or interest. It is the policy of the Bank with such accounts to reverse previously accrued interest which has not

actually been collected. Accrual of interest begins again only when all previously uncollected interest has been realized.

The Bank regularly reviews its entire loan portfolio so as to identify all accounts which have become non-productive and to monitor situations where the borrower's financial position is weak or deteriorating. Where appropriate, specific provisions for probable loan losses are made with due regard to the loan security and other factors.

The Bank's experience with non-productive loans (net of specific provisions for losses) in the five year period prior to 1982 is that they have ranged between .30% and .50% of total assets. However, the severity of the recent world economic recession which has continued into 1983 has resulted in a marked increase in the level of non-productive loans. The following table sets out the non-productive loans of the Bank net of specific provisions as at the dates indicated.

	As at January 31		As at October 31		
	1983	1982	1982	1981	1980
	(unaudited)				
			(millions of dollars)		
Domestic	$1,644	$336	$1,252	$216	$171
International	920	60	788	12	33
Total non-productive loans (net of specific provisions for losses)	$2,564	$396	$2,040	$228	$204

In Canada, the increase in non-productive loans (net of specific provisions for losses) has been experienced in the commercial, consumer and corporate sections alike, with particular increases in the oil services, forestry, real estate and construction industries. In international operations, the increase in non-productive loans (net of specific provisions for losses) reflects primarily the difficulties experienced by corporate and commercial borrowers principally in Latin America, the Caribbean and the United States.

Net Interest Income

Net interest income as a percentage of average total assets (interest margins) for 1982 has decreased in large part due to the sharply rising level of non-productive loans. Additionally, interest margins have declined due to an increase in higher cost term deposit liabilities as a proportion of total deposits and the faster growth of lower margin foreign currency assets as a proportion of total assets. International interest margins as a percentage of average total international assets (1.85% for the year ended October 31, 1982) was substantially below that earned in domestic operations (2.67% for the same period). International interest margins are normally lower than domestic interest margins as international business is generally wholesale business which does not require the extensive overhead and branch and staff support required in domestic operations.

The Bank's net interest income (expressed on a taxable equivalent basis) as a percentage of average total assets for the three months ended January 31, 1983 amounted to 2.60%, up sharply from the 2.08% earned in the comparative period of 1982. The lower level of interest rates which prevailed in the period had a positive effect on domestic operations as the Bank's fixed rate domestic loan portfolio showed improved margins compared to the comparative period. In addition, the lower and more stable interest rates allowed the Bank to maintain adequate funding spreads on its prime rate-related domestic business. As a result, domestic margins at 3.06% were up substantially from 2.25% while international margins were virtually unchanged at 1.77%.

The Bank's net interest income (expressed on a taxable equivalent basis) for the year ended October 31, 1982 was $2,096.5 million compared to the $1,998.4 million for 1981. The increase attributable to asset growth over the previous year was almost completely offset by reduced net interest margins due to declining interest rates and an increasing level of non-productive loans. The net interest margin was 2.37% in 1982 versus 2.72% in 1981.

The Bank's net interest income for 1981 increased by $410.0 million or 25.8% over the $1,588.4 million earned in 1980. The increase was solely the result of an increase in average earning assets since net interest income as a percentage of average total assets actually declined 10 basis points from 2.82% in 1980 to 2.72% in 1981.

Provision for Loan Losses

For 1982 the provision for loan losses increased $158.4 million or 85.3% over 1981, as a result of the substantial increase in the loan loss experience recorded in 1982 owing to the weak economy.

Higher specific provisions for loan losses resulting from the continued high level of non-productive loans together with the impact of the forward formula averaging of the 1982 loan loss experience (as prescribed by the Minister of Finance) has resulted in the provision for loan losses for the three months ended January 31, 1983 increasing by 79.4% or $50 million over the comparative period in 1982.

The provision for loan losses increased $61.2 million or 49.2% in 1981 over 1980. The increase was attributable to higher domestic loan loss experience on both consumer loans and corporate industrial loans. In the international portfolio, the loan loss experience increased as the result of major provisions in the Latin America and Caribbean area and for multinational industrial corporations.

Non-Interest Expenses

In 1982, non-interest expenses increased 20.9% over 1981. Of this increase 2.6% was due to the impact of newly acquired subsidiaries (see "Effect of New Acquisitions").

For the three months ended January 31, 1983, non-interest expenses have increased 11.3% over the comparative period in 1982. This increase is substantially below the average increase for the previous five years as a result of productivity and cost reduction programs instituted by the Bank over the past year.

Non-interest expenses increased 16.3% in 1981. The rate of growth experienced occurred principally in staff costs and other expenses reflecting both high inflation and the Bank's business expansion.

For the five year period ending October 31, 1982 the Bank's compound annual growth rate in non-interest expenses was 17.5% compared to the compound annual growth rate of total assets of 20.9%. The Bank's commitment to extensive computerization was an important factor in holding the rate of expense growth below the rate of asset growth.

Income Taxes

The income and capital gains of the Bank are taxed under the provisions of the Income Tax Act (Canada) and the income tax acts of the provinces of Canada at the standard rates of tax prescribed by these statutes, less appropriate credits for income taxes incurred and paid to foreign countries.

The low effective income tax rates result from high levels of tax-exempt income earned. The following table reconciles the difference between statutory and effective tax rates during this period.

	Three months ended January 31		Year ended October 31		
	1983	1982	1982	1981	1980
	(unaudited)				
Combined federal and provincial statutory income tax rate	49.1%	50.3%	50.3%	51.0%	50.5%
Increase (decrease) in rate resulting from:					
Tax exempt income from securities, primarily income debentures, term preferred shares and small business development bonds	(22.3)	(68.7)	(54.2)	(23.2)	(29.5)
Lower average tax rate applicable to foreign subsidiaries	(8.4)	(6.8)	(10.8)	(4.6)	(7.2)
Other	.4	(1.5)	6.2	1.7	.6
Effective income tax rate	18.8%	(26.7)%	(8.5)%	24.9%	14.4%

For the year ended October 31, 1982 the Bank recorded deferred income tax credits of approximately $218 million representing income tax benefits related to deductions available to reduce taxable income of future periods. These deductions relate principally to the "provision for loan losses" (included in the Consolidated Statement of Income) and the "transfer to appropriations for contingencies" (included in the Consolidated Statement of Retained Earnings).

Due to the large amount of investments which the Bank holds in income debentures, small business development bonds and term preferred shares the tax exempt income received on such investments actually exceeded the net taxable income generated from other sources in 1982. As a result, for tax purposes, the Bank

postponed claiming certain deductions available to it as referred to above. The deferred income taxes related to such postponed deductions were recognized in accordance with generally accepted accounting principles and recorded in the Consolidated Statement of Income and Consolidated Statement of Retained Earnings.

Effect of New Acquisitions

The acquisitions by the Bank of Canadian Acceptance Corporation Limited (which was amalgamated with RoyLease Limited on October 31, 1982), The Royal Bank of Canada (Suisse) and Tennant Guaranty Limited (now The Royal Bank of Canada Trade Finance Limited) during 1982 and Orion Royal Bank Limited in the fourth quarter of 1981 have increased assets, revenues and expenses in 1982 over the previous year. The impact of these acquisitions when comparing 1982 to 1981 operating results was an increase in average assets of \$3.8 billion, net interest income of \$37.9 million, other income of \$16.2 million and non-interest expenses of \$36.0 million.

Directors and Certain Senior Officers

Directors

Name and Municipality of Residence	Principal Occupation
DONALD SUTHERLAND ANDERSON Willowdale, Ontario	Chairman Canada Realties Limited (Real estate development consultants)
JOHN ANDERSON Vancouver, British Columbia	President and Chief Executive Officer, Westcoast Transmission Company Limited (Integrated petroleum company)
JOHN ARCHIBALD ARMSTRONG Don Mills, Ontario	Company Director
*IAN ANDREW BARCLAY Vancouver, British Columbia	Chairman, British Columbia Forest Products Limited (Manufacturers — pulp, paper and wood products)
THOMAS JOHNSTON BELL, M.C., C.D., LL.D. Toronto, Ontario	Chairman of the Board, Abitibi-Price Inc. (Manufacturers — newsprint and pulp and paper products)
*GEORGE HENRY BLUMENAUER Hamilton, Ontario	Chairman and Chief Executive Officer, Otis Elevator Company Limited (Manufacturers of elevators)
*GEORGE ALLAN BURTON, D.S.O., E.D., LL.D. Milton, Ontario	Company Director
*ROBERT BURNS CAMERON, O.C., D.S.O. New Glasgow, Nova Scotia	Chairman, Cameron Corporation Limited (Holding company)
FRANK BREADON COMMON, Jr., Q.C. Montreal, Quebec	Partner, Ogilvy, Renault (Barristers and solicitors)
CAMILLE ARTHUR DAGENAIS Montreal, Quebec	Chairman The SNC Group (Miscellaneous services, planning & design)
MRS. MITZI STEINBERG DOBRIN Town of Mount Royal, Quebec	Executive Vice-President, Legal & Corporate Affairs Steinberg Inc. (Retail supermarkets)
SIR ALASTAIR DOWN, O.B.E., M.C., T.D. Wiltshire, England	Chairman The Burmah Oil Public Limited Company (Oil based industrial enterprise)
GORDON CAMPBELL EATON, O.C., M.C., C.D., LL.D. St. John's, Newfoundland	Managing Director, Newfoundland Tractor & Equipment Co. Ltd. (Sales of tractors and mechanical equipment)
**JOCK KINGHORN FINLAYSON Toronto, Ontario	President of the Bank
ROWLAND CARDWELL FRAZEE Town of Mount Royal, Quebec	Chairman and Chief Executive Officer of the Bank
WILLIAM DOUGLAS HAIG GARDINER Vancouver, British Columbia	President, W.D.H.G. Financial Associates Ltd. (Consultants)

*Member of the Audit Committee; the Bank has no Executive Committee.

**Mr. Finlayson retires as President of the Bank on May 31, 1983 but will remain a director of the Bank.

Name and Municipality of Residence	Principal Occupation
DONALD ROSS GETTY Edmonton, Alberta	President, D. Getty Investments Ltd. (Holding company)
CHARLES HENRY KNIGHT Regina, Saskatchewan	President and Chief Executive Officer — DENRO Holdings Ltd. (Land development)
WALTER FREDERICK LIGHT Toronto, Ontario	Chairman and Chief Executive Officer, Northern Telecom Limited (Manufacturers of telephone equipment, wire and cable)
TONG LOUIE Vancouver, British Columbia	President and Chief Executive Officer, H.Y. Louie Co. Limited (Wholesale food distributors)
PETER LOGIE PARKIN MACDONNELL, C.M., Q.C. Edmonton, Alberta	Partner, Milner & Steer (Barristers and solicitors)
JAMES DOUGALD MACLENNAN Surrey, British Columbia	Chairman of the Board Canadian Dredge and Dock Company Limited (Dredging company)
CLIFFORD SWINDELL MALONE Toronto, Ontario	Vice Chairman United Corporations Limited (Investment company)
FREDERICK CHARLES MANNIX Calgary, Alberta	Company Director
JEAN PIERRE MAURER New York, New York	Executive Vice-President Metropolitan Life Insurance Company (Life insurance company)
JOHN ROBERT MCCAIG Calgary, Alberta	Chairman and Chief Executive Officer, Trimac Limited (Energy & transportation services)
DONALD KENNETH MCIVOR Toronto, Ontario	Chairman and Chief Executive Officer, Imperial Oil Limited (Integrated petroleum company)
MRS. DAWN RUE'ANN CAMPBELL MCKEAG Winnipeg, Manitoba	President, Walford Investments Ltd. (Holding company)
WILLIAM EARLE MCLAUGHLIN Westmount, Quebec	Former Chairman of the Board of the Bank
JAMES WILLIAM EDGAR MINGO, Q.C. Halifax, Nova Scotia	Barrister Stewart MacKeen & Covert (Barristers and solicitors)
PIERRE ALBERT NADEAU Montreal, Quebec	Special Consultant, Cemp Investment Limited (Holding company)
PAUL LEO PARÉ Montreal, Quebec	Chairman and Chief Executive Officer, Imasco Limited (Holding company)

Name and Municipality of Residence	Principal Occupation
*NEIL FRANKLIN PHILLIPS, Q.C. Westmount, Quebec	Partner, Phillips & Vineberg (Barristers and solicitors)
*HERBERT CHARLES PINDER Saskatoon, Saskatchewan	President Saskatoon Trading Company Limited (Property holding company)
CLAUDE PRATTE, Q.C. Quebec, Quebec	Advocate
LYMAN MERRILL RASMUSSEN Englewood, Colorado	President and Chief Executive Officer, Husky Oil Company (Integrated petroleum company)
CHARLES IRWIN RATHGEB Toronto, Ontario	Chairman, Comstock International Ltd. (Construction and mechanical equipment)
ALEXANDER MCINNES RUNCIMAN Winnipeg, Manitoba	Company Director
IAN DAVID SINCLAIR Oakville, Ontario	Chairman Canadian Pacific Enterprises Limited (Oil and gas, mining and forest products)
PETER NESBITT THOMSON New Providence, Bahamas	Chairman and President West Indies Power Corporation Limited (Utility company)
JOHN ARNOLD TORY, Q.C. Toronto, Ontario	President, The Thomson Corporation Limited (Publishing and holding company)
WILLIAM OSBORN TWAITS, C.C. Toronto, Ontario	Company Director
ROBERT ARTHUR UTTING Westmount, Quebec	Vice-Chairman of the Bank
WILLIAM PRICE WILDER Toronto, Ontario	Deputy Chairman Hiram Walker Resources Ltd. (Holding company)
CHARLES NAMBY WYNN WOODWARD Vancouver, British Columbia	Chairman of the Board & Chief Executive Officer, Woodward Stores Limited (Holding company)
HAROLD EDMUND WYATT Calgary, Alberta	Vice-Chairman of the Bank

*Member of the Audit Committee.

All of the directors have been engaged for more than five years in their present principal occupations or in other executive positions with the same or associated firms or organizations except John A. Armstrong who prior to January 1982 was Chairman and Chief Executive Officer of Imperial Oil Ltd., G. Allan Burton who prior to 1981 was Chairman and Chief Executive Officer of Simpsons, Limited, W.D.H. Gardiner who prior to January 1981 was Vice-Chairman of the Board of the Bank, James D. Maclennan who prior to July 1982 was Chairman and Chief Executive Officer of Interprovincial Steel and Pipe Corp. Ltd., C.S. Malone who prior to 1983 was Chairman and Chief Executive Officer of Canron Inc., D.K. McIvor who prior to June 1981 was Vice-President of Exxon Corporation, W.E. McLaughlin who prior to October 1980 was Chairman of the Board of the Bank, D.R. Getty who prior to 1979 was Minister of Energy and National Resources, Government of Alberta, L.M. Rasmussen who

prior to 1979 was President and Chief Executive Officer of Pacific Petroleum Ltd., A.M. Runciman who prior to 1981 was President of United Grain Growers Ltd., P.N. Thomson who prior to 1983 was Chairman of TIW Industries Ltd., W.P. Wilder who prior to 1979 was Executive Vice-President of Gulf Canada Ltd. and P.A. Nadeau who prior to July 1981 was Chairman of the Board, President and Chief Executive Officer of Petrofina Canada Inc.

Certain Senior Officers

Name and Municipality of Residence	Principal Occupation
ROWLAND CARDWELL FRAZEE Town of Mount Royal, Quebec	Chairman and Chief Executive Officer
**JOCK KINGHORN FINLAYSON Toronto, Ontario	President
ALLAN RICHARD TAYLOR Beaconsfield, Quebec	President & Chief Operating Officer — Designate
ROBERT ARTHUR UTTING Westmount, Quebec	Vice-Chairman
HAROLD EDMUND WYATT Calgary, Alberta	Vice-Chairman
ALLAN HENRY MICHELL Town of Mount Royal, Quebec	Senior Executive Vice-President, Financial Control & Administration
MICHAEL JOSEPH REGAN Montreal, Quebec	Senior Executive Vice-President, Domestic Banking
RICHARD GEOFFREY PENTLAND STYLES Toronto, Ontario	Senior Executive Vice-President, International & Corporate Banking
JOHN EDWARD CLEGHORN Montreal, Quebec	Executive Vice-President, International Banking
BRIAN DE LYNN GREGSON Town of Mount Royal, Quebec	Executive Vice-President, Special Loans
BURTON VINCENT KELLY Toronto, Ontario	Executive Vice-President, World Corporate Banking
ROBERT COWANS PATERSON Toronto, Ontario	Executive Vice-President, Treasury and Money Markets
ROBERT BLAKE ASHFORTH Calgary, Alberta	Senior Vice-President & General Manager, Alberta
MICHAEL C.S. BAPTISTA Town of Mount Royal, Quebec	Senior Vice-President, Commercial Banking, Ontario
HERBERT GEORGE BUCKRELL Halifax, Nova Scotia	Senior Vice-President & General Manager Atlantic Provinces
WARREN C. BULL Beaconsfield, Quebec	Senior Vice-President, Corporate Planning & Productivity
CARLTON PIUS DE SOUZA Coral Gables, Florida	Senior Vice-President & General Manager, Latin America & Caribbean
ALEXANDER DE TAKACSY Paris, France	Senior Vice-President & General Manager, Continental Europe
GORDON JOSEPH FEENEY Beaconsfield, Quebec	Senior Vice-President, Personnel

**Mr. Finlayson retires as President of the Bank on May 31, 1983.

Name and Municipality of Residence	Principal Occupation
LENNIS EDSEL GILLMOURE Beaconsfield, Quebec	Senior Vice-President, Operations & Systems
WILLIAM JAMES GORMAN Toronto, Ontario	Senior Vice-President, Retail Banking, Ontario
HUGH SPENCE HARDY Baie d'Urfé, Quebec	Senior Vice-President, Public Affairs
WILLIAM DAVID HENRY Toronto, Ontario	Senior Vice-President & General Manager Ontario
GEORGE JAMES JOHNSON New York, New York	Senior Vice-President & General Manager U.S.A.
WESLEY ANGUS REGINALD MACDONALD Montreal, Quebec	Senior Vice-President, Retail Banking, Canada
WALLACE JEUNE MACKAY Montreal, Quebec	Senior Vice-President, Commercial Lending, Canada
WILLIAM COLIN CAMPBELL MACKAY Montreal, Quebec	Senior Vice-President, International Banking
JOHN GORDON MACPHERSON West Vancouver, B.C.	Senior Vice-President & General Manager, British Columbia
J.B. MCDONALD Winnipeg, Manitoba	Senior Vice-President & General Manager, Manitoba
WILLIAM NEIL MCFADYEN Westmount, Quebec	Senior Vice-President, Commercial & Retail banking, International
VERNE GORDON MCKAY Willowdale, Ontario	Senior Vice-President, World Trade
MAURICE ONAPING PETER MORRISON Mississauga, Ontario	Senior Vice-President, External Relations, Ontario
EDWARD PETER NEUFELD Montreal, Quebec	Senior Vice-President & Chief Economist
WILLIAM J.H. NIMMO Toronto, Ontario	Senior Vice-President, National Accounts, Corporate
FRANÇOIS PIERRE PARADIS Montreal, Quebec	Senior Vice-President & General Manager, Quebec
JOHN N.T. REDNALL Hong Kong	Senior Vice-President & General Manager, Asia Pacific
RUSSELL BOYD ROBERTSON Regina, Saskatchewan	Senior Vice-President & General Manager, Saskatchewan
PHILIP JOSEPH ROSSITER London, England	Senior Vice-President & General Manager, U.K., Ireland & Nordic Countries
JOHN CLIFFORD SINCLAIR Toronto, Ontario	Senior Vice-President, Lending
*WILLIAM SAMUEL SNOOK New York, New York	Senior Vice-President & General Manager, U.S.A.
PAUL ALBERT TAYLOR Oakville, Ontario	Senior Vice-President, World Corporate Banking
JAMES MANN WALKER Calgary, Alberta	Senior Vice-President, Global Energy & Minerals Group

*Retires May 31, 1983.

Name and Municipality of Residence	Principal Occupation
ANTHONY ALLEN WEBB .... Toronto, Ontario	Senior Vice-President, Merchant Banking
GRAHAM CURTIS AITKEN .... Westmount, Quebec	Vice-President & Treasurer
DOMINIC D'ALESSANDRO........................... Beaconsfield, Quebec	Vice-President & Comptroller
JOHN THOMAS BURNETT .... Westmount, Quebec	Vice-President & General Counsel
REUBEN JOHN MOORES .... Beaconsfield, Quebec	Vice-President & Secretary
JUSTUS HAROLD JOHN MERRIAM.................... Baie d'Urfé, Quebec	Chief Accountant

All of the above-named officers of the Bank have been actively engaged for more than five years in the affairs of the Bank in various capacities except for V.G. McKay who prior to March 1981 was Executive Vice-President and Chief Operating Officer, Export Development Corporation, E.P. Neufeld who prior to January 1980 was Assistant Deputy Minister of Finance, Ottawa, F.P. Paradis who prior to April 1978 was Senior Vice-President, IAC Limited, J.T. Burnett who prior to September 1980 was Vice-President, Secretary and Assistant General Counsel of Northern Telecom Limited and D. D'Alessandro who prior to April 1981 was employed as Vice President, Materials Group of Genstar Corporation.

Holdings

The directors and senior officers, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common and Preferred Shares of the Bank.

G. Harold Pickel, Assistant General Counsel, Corporate, of the Bank beneficially owns, directly or indirectly, 434 Common Shares of the Bank.

The partners and associates of Ogilvy, Renault beneficially own, directly or indirectly, 39,296 Common Shares, 2,185 Second Preferred Shares Series A, $50,000 principal amount of 9% Debentures due June 1, 1987, $20,000 principal amount of 10% Debentures due December 1, 1994 and $5,000 principal amount of Convertible Debentures due December 9, 1991, all of the Bank and five common shares of Royal Bank Mortgage Corporation.

Remuneration of Directors and Officers

The table below sets forth the aggregate remuneration paid or payable by the Bank and its subsidiaries to its directors and senior officers for the year ended October 31, 1982:

	Nature of remuneration		
	Aggregate Remuneration	Cost of pension benefits (1)	Other (2)
1. Directors (47):			
From Bank and wholly-owned subsidiaries	$ 840,949	$ —	$ —
2. Five Senior Officers	1,840,872	9,900	—
3. Officers receiving over $50,000 (179)			
(including item 2 above)	18,917,712	354,420	489,822
Total (of items 1 and 3 above)	19,758,661	354,420	489,822

(1) These costs reflect the Bank's contributions on behalf of the two indicated groups of officers to the pension plan applicable to all eligible employees and officers. In addition, the Bank has entered into agreements with certain senior officers under which, subject to certain conditions, the Bank is committed to make supplemental retirement income payments to such officers. It is impracticable to state the amount of payments proposed to be made since they are contingent upon the future employment and salary levels of such senior officers and continue for the lifetime of such officers.

(2) A number of senior and other officers of the Bank are participants in incentive plans. Under such plans bonuses based on year-end results are paid to participants in February of the following year. Bonuses paid in February 1982 are included under the column "Aggregate Remuneration". The amounts of the bonuses paid in February 1983 based on results for the year ended October 31, 1982 are reported under the column "Other".

Indebtedness of Directors and Senior Officers

The Bank's benefit programs permit employees and officers to borrow from the Bank at varying special staff interest rates for purchases of or improvements to residential properties, investments in shares of the Bank, purchases of durable consumer goods or for like purposes. Loans which are not within the definition of routine indebtedness set out in the Prospectus Regulations under the Bank Act, those under the Securities Act (Quebec) or the Securities Act (Ontario) because they either exceeded $25,000 and were not fully secured on the ordinary residence of the officer throughout the term of the loan or being thus fully secured, were temporarily in excess of the annual salary of such officer, amounted to an aggregate of $11,090,900 as at March 31, 1983. Of this amount, $7,317,000 represents loans at rates of 3% or less for the purchase or improvement of residential properties more than 90% of which related to Bank-initiated transfers. The balance represents loans for the other purposes referred to above at rates of 3% or more. Of this aggregate of $11,090,900, the table below reflects the loans to the 48 Senior Officers identified above under ''Certain Senior Officers'' and to two indicated directors:

Name of Officer	Largest aggregate amount outstanding during year ended October 31, 1982	Amount outstanding as at March 31, 1983	Name of Officer	Largest aggregate amount outstanding during year ended October 31, 1982	Amount outstanding as at March 31, 1983
G.C. Aitken	$138,411	$149,350	W.N. McFadyen	$ 38,943	$ 40,437
M.C.S. Baptista	275,554	269,158	V.G. McKay	191,215	133,207
J.H. Coleman*	40,000	—	J. Merriam	37,599	35,087
H.G. Buckrell	102,454	247,265	A.H. Michell	48,048	41,965
W.C. Bull	30,432	33,621	R.J. Moores	57,981	58,455
J.T. Burnett	47,228	48,863	E.P. Neufeld	34,759	41,908
J.E. Cleghorn	234,578	219,991	W.J.H. Nimmo	142,000	138,042
D. D'Alessandro	121,700	129,357	F.P. Paradis	91,446	85,132
C.P. De Souza	39,762	42,939	R.C. Paterson	107,063	99,777
G.J. Feeney	38,882	55,281	J.N.T. Rednall	66,718	10,750
J.K. Finlayson	45,091	37,341	M.J. Regan	95,243	95,243
R.C. Frazee	145,000	57,588	R.B. Robertson	47,247	43,952
W.D.H. Gardiner*	53,450	36,950	P.J. Rossiter	40,000	38,000
L.E. Gillmoure	42,150	45,569	J.C. Sinclair	141,000	127,500
B.D. Gregson	69,405	49,878	R.G.P. Styles	289,634	270,225
H.S. Hardy	34,513	30,802	A.R. Taylor	34,413	27,257
W.D. Henry	193,487	184,469	P.A. Taylor	60,370	11,892
G.J. Johnson	38,332	37,635	R.A. Utting	129,466	175,976
B.V. Kelly	45,409	27,131	J.M. Walker	167,725	156,913
W.A.R. MacDonald	216,066	199,058	A.A. Webb	113,167	121,979
J.G. Macpherson	87,300	83,250	H.E. Wyatt	38,278	31,697

*Directors during the year ended October 31, 1982, these former officers of the Bank incurred 3% loans made during their tenures to acquire shares of the Bank.

Material Contracts

The only agreement entered into by the Bank within the two years prior to the date of this prospectus which is presently material is the agreement between the Bank and the Underwriters referred to under ''Plan of Distribution''. This agreement may be inspected during regular business hours at the head office of the Bank in Montreal during the period of distribution of the securities offered hereby and for 30 days thereafter.

Legal Opinions

The matters referred to under ''Eligibility for Investment'' and ''Canadian Income Tax Considerations'' will be passed upon for the Bank by G. Harold Pickel, Assistant General Counsel, Corporate, of the Bank and for the Underwriters by Ogilvy, Renault.

THE ROYAL BANK OF CANADA

Consolidated Financial Statements

Auditors' Report

To the Directors,
The Royal Bank of Canada

We have examined the consolidated statement of assets and liabilities of The Royal Bank of Canada as at October 31, 1982 and 1981 and the consolidated statements of income, appropriations for contingencies, changes in shareholders' equity and changes in financial position for each of the years in the five year period ended October 31, 1982. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1982 and 1981 and the results of its operations and changes in its financial position for each of the years in the five year period ended October 31, 1982 in accordance with accounting principles prescribed by the Bank Act applied, after giving retroactive effect to the reporting changes required as of November 1, 1981, on a consistent basis.

(Signed) Touche Ross & Co.
As to the years ended October 31, 1980, 1981 and 1982.

(Signed) Deloitte Haskins & Sells
As to the years ended October 31, 1978, 1979 and 1982.

(Signed) Price Waterhouse
As to the years ended October 31, 1978, 1979, 1980 and 1981.

Chartered Accountants

Montreal, December 7, 1982
(May 26, 1983 as to Note 19)

THE ROYAL BANK OF CANADA

Consolidated Statement of Income
(in thousands of dollars)

	Three Months Ended January 31		Year Ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
INTEREST INCOME							
Loans	$1,949,792	$2,364,381	$9,360,648	$8,193,495	$5,006,165	$3,649,193	$2,532,891
Lease financing	18,298	15,030	75,426	41,316	33,778	22,069	21,089
Securities	164,637	212,095	788,414	776,790	613,836	501,004	320,344
Deposits with banks	329,597	508,831	1,860,323	1,738,799	1,114,410	640,722	364,927
	2,462,324	3,100,337	12,084,811	10,750,400	6,768,189	4,812,988	3,239,251
INTEREST EXPENSE							
Deposits	1,903,297	2,702,437	10,150,744	8,952,226	5,350,810	3,601,352	2,095,151
Bank debentures	33,313	24,183	128,506	71,659	49,476	44,894	33,764
Other	9,687	1,883	40,293	14,780	9,739	4,857	4,628
	1,946,297	2,728,503	10,319,543	9,038,665	5,410,025	3,651,103	2,133,543
NET INTEREST INCOME	516,027	371,834	1,765,268	1,711,735	1,358,164	1,161,885	1,105,708
Provision for loan losses	113,000	63,000	344,000	185,601	124,430	106,021	96,544
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	403,027	308,834	1,421,268	1,526,134	1,233,734	1,055,864	1,009,164
Other income	162,398	138,236	582,874	500,410	377,647	321,292	270,480
NET INTEREST AND OTHER INCOME	565,425	447,070	2,004,142	2,026,544	1,611,381	1,377,156	1,279,644
NON-INTEREST EXPENSES							
Salaries	244,703	220,382	944,545	783,894	664,310	575,217	493,650
Pension and other staff benefits	24,944	21,347	91,516	78,668	73,783	64,780	54,059
Premises and equipment, including depreciation	67,679	56,334	255,852	203,029	176,886	157,975	151,387
Other	89,462	85,357	381,961	318,425	274,650	212,963	180,492
	426,788	383,420	1,673,874	1,384,016	1,189,629	1,010,935	879,588
NET INCOME BEFORE INCOME TAXES	138,637	63,650	330,268	642,528	421,752	366,221	400,056
Income taxes (note 3)	26,000	(17,000)	(28,000)	160,219	60,876	60,557	135,651
NET INCOME BEFORE MINORITY INTERESTS	112,637	80,650	358,268	482,309	360,876	305,664	264,405
Minority interests in subsidiaries	242	(34)	620	4,133	12,844	15,973	3,300
NET INCOME	$ 112,395	$ 80,684	$ 357,648	$ 478,176	$ 348,032	$ 289,691	$ 261,105
INCOME PER SHARE (note 4)							
Basic	$1.22	$0.88	$3.87	$5.75	$4.74	$3.96	$3.57
Fully diluted	$1.12	$0.87	$3.68	$5.71	$4.74	$3.96	$3.57

THE ROYAL BANK OF CANADA

Consolidated Statement of Assets and Liabilities

(in thousands of dollars)

Assets

	As at January 31		As at October 31	
	1983	1982	1982	1981
	(unaudited)			
CASH RESOURCES				
Cash and deposits with Bank of Canada	$ 1,564,046	$ 2,120,130	$ 1,757,535	$ 1,656,153
Deposits with other banks	11,864,418	14,052,151	13,171,518	12,671,516
Cheques and other items in transit, net	327,063	812,166	89,349	1,523,858
	13,755,527	16,984,447	15,018,402	15,851,527
SECURITIES (note 5)				
Issued or guaranteed by Canada	2,697,389	2,636,025	2,426,363	3,147,591
Issued or guaranteed by provinces and municipal or school corporations	79,482	85,690	61,033	93,495
Other securities	4,209,244	4,515,237	4,307,169	4,105,340
	6,986,115	7,236,952	6,794,565	7,346,426
LOANS				
Day, call and short loans to investment dealers and brokers, secured	213,840	283,509	630,288	829,198
Loans to banks	1,682,849	1,471,443	1,491,160	1,585,999
Mortgage loans	7,413,208	7,191,516	7,448,387	6,948,592
Other loans (note 6)	50,545,853	48,898,776	50,714,624	47,767,344
	59,855,750	57,845,244	60,284,459	57,131,133
OTHER				
Customers' liability under acceptances	3,750,396	2,741,176	3,471,826	2,414,937
Land, buildings and equipment (note 7)	878,806	819,445	861,271	810,266
Other assets (note 8)	1,659,399	2,137,229	2,025,469	1,805,163
	6,288,601	5,697,850	6,358,566	5,030,366
	$86,885,993	$87,764,493	$88,455,992	$85,359,452

Liabilities

	As at January 31		As at October 31	
	1983	1982	1982	1981
DEPOSITS (note 9)				
Payable on demand	$ 7,809,816	$ 8,249,541	$ 6,958,361	$ 7,048,266
Payable after notice	16,069,144	14,043,045	16,115,476	13,753,780
Payable on a fixed date	52,731,404	55,602,627	55,331,625	56,063,342
	76,610,364	77,895,213	78,405,462	76,865,388
OTHER				
Advances from Bank of Canada	—	40,000	—	—
Acceptances	3,750,396	2,741,176	3,471,826	2,414,937
Liabilities of subsidiaries other than deposits (note 10)	343,139	315,293	346,554	172,119
Other liabilities (note 11)	2,115,580	2,777,748	2,225,309	2,420,580
Minority interests in subsidiaries	2,628	2,117	2,249	6,305
	6,211,743	5,876,334	6,045,938	5,013,941
SUBORDINATED DEBT				
Bank debentures (note 12)	1,123,091	1,037,619	1,121,212	779,325
CAPITAL AND RESERVES				
Appropriations for contingencies	63,894	243,800	100,894	257,800
Shareholders' equity:				
Capital stock (note 13)	439,077	441,541	438,871	233,128
Contributed surplus	485,333	418,727	451,965	407,872
Retained earnings	1,952,491	1,851,259	1,891,650	1,801,998
	2,940,795	2,955,327	2,883,380	2,700,798
	$86,885,993	$87,764,493	$88,455,992	$85,359,452

Approved by the Directors:

(Signed) R. C. FRAZEE
Chairman and Chief Executive Officer

(Signed) R. A. UTTING
Vice-Chairman

THE ROYAL BANK OF CANADA

Consolidated Statement of Appropriations for Contingencies
(in thousands of dollars)

	Three Months Ended January 31		Year Ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
BALANCE AT BEGINNING OF PERIOD							
(all tax-deductible)	$100,894	$257,800	$257,800	$213,180	$212,163	$129,914	$ 64,270
Loss experience on loans	(150,000)	(77,000)	(679,550)	(218,545)	(146,976)	(64,780)	(69,982)
Provision for loan losses included in the Consolidated Statement of Income	113,000	63,000	344,000	185,601	124,430	106,021	96,544
Transfer from Retained Earnings	—	—	178,644	77,564	23,563	41,008	39,082
BALANCE AT END OF PERIOD							
(all tax-deductible)	$ 63,894	$243,800	$100,894	$257,800	$213,180	$212,163	$129,914

Consolidated Statement of Changes in Shareholders' Equity
(in thousands of dollars)

	Three Months Ended January 31		Year Ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
CAPITAL STOCK							
Balance at Beginning of Period	$ 438,871	$ 233,128	$ 233,128	$ 80,243	$ 73,181	$ 73,181	$ 73,181
Issuance of first preferred shares	—	—	—	152,340	—	—	—
Issuance of convertible second preferred shares	—	210,000	210,000	—	—	—	—
Issuance of common shares	1,308	413	1,990	2,600	7,062	—	—
Par value of first preferred shares purchased for cancellation	(1,102)	(2,000)	(6,247)	(2,055)	—	—	—
Balance at End of Period	$ 439,077	$ 441,541	$ 438,871	$ 233,128	$ 80,243	$ 73,181	$ 73,181
CONTRIBUTED SURPLUS							
Balance at Beginning of Period	$ 451,965	$ 407,872	$ 407,872	$ 348,125	$ 192,762	$ 192,762	$ 192,762
Proceeds received in excess of the par value of common shares issued	33,138	10,031	41,605	59,104	155,363	—	—
Gain on first preferred shares purchased for cancellation	230	824	2,488	643	—	—	—
Balance at End of Period	$ 485,333	$ 418,727	$ 451,965	$ 407,872	$ 348,125	$ 192,762	$ 192,762
RETAINED EARNINGS							
Balance at Beginning of Period	$1,891,650	$1,801,998	$1,801,998	$1,513,687	$1,274,531	$1,090,793	$ 908,548
Prior period adjustment (note 14)	—	21,419	21,419	—	—	—	—
Net income for the period	112,395	80,684	357,648	478,176	348,032	289,691	261,105
Dividends — first preferred	(2,706)	(2,796)	(11,039)	(8,546)	—	—	—
— second preferred	(5,775)	(4,872)	(22,197)	—	—	—	—
— common	(43,073)	(41,867)	(168,228)	(139,430)	(94,549)	(79,767)	(57,265)
Transfer to Appropriations for Contingencies	—	—	(178,644)	(77,564)	(23,563)	(41,008)	(39,082)
Income taxes related to the above transfer (note 3)	—	—	94,000	35,675	10,487	17,318	17,487
Expenses of share issues including those of subsidiaries, net of income taxes (note 3)	—	(3,307)	(3,307)	—	(1,251)	(2,496)	—
Balance at End of Period	$1,952,491	$1,851,259	$1,891,650	$1,801,998	$1,513,687	$1,274,531	$1,090,793

THE ROYAL BANK OF CANADA

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	Three Months Ended January 31		Year Ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
FUNDS DERIVED FROM:							
Operations:							
Net income	$ 112,395	$ 80,684	$ 357,648	$ 478,176	$ 348,032	$ 289,691	$ 261,105
Items not requiring the use of funds:							
Provision for loan losses	113,000	63,000	344,000	185,601	124,430	106,021	96,544
Depreciation	17,104	15,616	69,206	59,205	50,557	42,174	35,280
Deferred income taxes	4,032	(36,634)	(218,932)	37,425	(12,735)	(1,683)	12,998
Share of income of associated corporations	(262)	(3,070)	(11,499)	(5,096)	(12,435)	(15,255)	(11,656)
Total From Operations	246,269	119,596	540,423	755,311	497,849	420,948	394,271
Appropriations:							
Tax credit related to transfer to appropriations for contingencies	—	—	94,000	35,675	10,487	17,318	17,487
Other Items:							
Decrease in cash resources	1,262,875	—	833,125	—	—	—	—
Decrease in securities	—	112,544	563,360	—	—	—	—
Decrease in loans	424,478	—	—	—	—	—	—
Decrease in lease receivables	4,231	—	—	—	—	—	—
Decrease in other assets	366,070	—	—	—	—	—	—
Increase in deposits	—	1,029,825	1,540,074	21,032,204	9,258,288	9,010,540	5,689,982
Increase in other liabilities	—	572,788	194,040	1,267,212	566,809	106,539	183,307
Issuance of debentures	1,879	260,000	382,550	189,993	75,000	155,000	60,000
Issuance of capital stock	34,447	217,137	250,288	214,044	161,174	—	—
Issuance of capital stock by subsidiary company	—	—	—	—	—	147,553	—
Prior period adjustment (note 14)	—	21,419	21,419	—	—	—	—
Total From Other Items	2,093,980	2,213,713	3,784,856	22,703,453	10,061,271	9,419,632	5,933,289
Total	$2,340,249	$2,333,309	$4,419,279	$23,494,439	$10,569,607	$9,857,898	$6,345,047
FUNDS APPLIED TO:							
Appropriations:							
Loss experience on loans	$ 150,000	$ 77,000	$ 679,550	$ 218,545	$ 146,976	$ 64,780	$ 69,982
Other Items:							
Increase in cash resources	—	1,132,920	—	4,709,644	1,389,819	2,288,749	898,216
Increase in securities	191,288	—	—	774,238	450,771	1,414,273	1,183,828
Increase in loans	—	654,944	3,059,175	16,278,152	7,979,374	5,650,561	3,845,503
Increase in lease receivables	—	59,167	94,151	47,733	112,541	85,365	65,589
Increase in land, buildings and equipment	34,639	24,795	120,211	136,665	162,193	119,570	100,641
Increase in other assets	—	332,066	220,306	1,021,149	233,051	105,726	123,798
Decrease in deposits	1,795,098	—	—	—	—	—	—
Decrease in other liabilities	116,797	—	—	—	—	—	—
Purchase of preferred shares for cancellation	873	1,176	3,759	1,412	—	—	—
Repayment of debentures	—	1,706	40,663	4,894	333	49,107	225
Redemption of capital stock issued by subsidiary company	—	—	—	154,031	—	—	—
Dividends paid to shareholders	51,554	49,535	201,464	147,976	94,549	79,767	57,265
Total Other Items	2,190,249	2,256,309	3,739,729	23,275,894	10,422,631	9,793,118	6,275,065
Total	$2,340,249	$2,333,309	$4,419,279	$23,494,439	$10,569,607	$9,857,898	$6,345,047

THE ROYAL BANK OF CANADA

Notes to the Consolidated Financial Statements

(All tabular figures are in thousands of dollars)

(Information as at January 31, 1983 and 1982 and
for the three months ended January 31, 1983 and 1982 is unaudited)

1. Significant Accounting Policies

The consolidated financial statements of The Royal Bank of Canada are prepared in accordance with accounting principles prescribed by the Bank Act of 1980 and the related rules issued by the Inspector General of Banks under the authority of the Minister of Finance. The financial statements for the years ended October 31, 1981, 1980, 1979 and 1978 which had previously been prepared under the Bank Act of 1967, have been restated on a basis comparable with 1982. The significant accounting and reporting changes required by the Bank Act of 1980 and their effect on Capital and Reserves as at October 31, 1981 and on Net Income for each of the years in the four year period then ended are summarized in Note 18.

The accounting principles followed in determining Net Income conform in all material respects with generally accepted accounting principles in Canada except for (i) the deferral of gains and losses on the disposal of debt securities and (ii) the accounting for losses on loans.

The significant accounting policies of the Bank are summarized below:

Basis of Consolidation —

The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances. The Bank accounts for the acquisition of subsidiaries using the purchase method; any difference between the cost of the investment and the fair value of assets acquired is amortized over appropriate periods not exceeding 40 years.

Investments in associated corporations (corporations owned between 20% and 50%) are accounted for using the equity method. The Bank's share of earnings of these associated corporations and gains and losses realized on dispositions of investments in associated corporations are included in "Income from securities".

As required by the Bank Act, a listing of subsidiaries, associated corporations and other corporations in which the Bank owns in excess of 10% of the voting shares is set out below. Separate condensed Statements of Assets and Liabilities and condensed Statements of Income for Royal Bank Mortgage Corporation and RoyLease Limited are included in Note 20.

Translation of Foreign Currencies —

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at prevailing quarter-end rates.

Foreign exchange positions are hedged as much as practicable by forward exchange contracts. Any gain or loss on the unhedged foreign exchange position at the end of each quarter is included in "Other income".

Securities —

Securities include both investment account and trading account securities.

Investment securities are carried at amortized cost. Premiums and discounts are amortized to income on the yield method over the period to maturity of the related securities. Gains and losses realized on disposal of debt securities other than Treasury Bills, are deferred and amortized to income over five years. Gains and losses realized on disposal of other investment securities and write-downs to reflect permanent impairment in value are included in income in the year in which they occur.

Trading account securities are carried at estimated current market value. Gains and losses realized on disposal and unrealized valuation adjustments are included in income.

Loans —

Loans are stated net of any unearned interest and of any specific provisions established to recognize anticipated losses. Accrued interest on loans is included in "Other assets".

The accrual of interest income on loans is discontinued when the payment of principal or interest on such loans is ninety days past due, or sooner if in the judgment of management, there is doubt as to the ultimate collectibility of some portion of principal or interest. Such loans are classified as non-productive and any previously accrued but unpaid interest thereon is reversed against "Income from loans" of the current period. In subsequent periods, interest from such loans is taken into income only when realized.

The "Loss experience on loans" (representing net new specific provisions for losses on loans plus write-offs less recoveries of loans previously written off) is not deducted in arriving at net income but instead is charged to "Appropriations for contingencies". The "Provision for loan losses" (based upon a formula prescribed by the Minister of Finance designed to average the loss experience over a five-year period) is charged to income and credited to "Appropriations for contingencies".

Acceptances —

The Bank's potential liability under acceptances is reported as a liability in the Consolidated Statement of Assets and Liabilities. The Bank's recourse against the customer in the case of a call on these commitments is reported as an offsetting asset of the same amount.

Land, Buildings and Equipment —

Land, buildings and equipment are reported at cost and are depreciated principally on the straight-line method over their estimated useful lives as follows:

Buildings	20 to 50 years
Furniture, fixtures and equipment	7 to 10 years
Leasehold improvements	term of lease plus first option period

Appropriations for Contingencies —

The Bank makes appropriations for contingencies with respect to possible unforeseen losses on loans (in addition to specific provisions for identifiable losses) through transfers from Retained Earnings. Of such transfers, the maximum amount which may be made on a tax-deductible basis is prescribed in regulations of the Minister of Finance. The cumulative tax-deductible amount of appropriations for contingencies is limited to an amount equal to a percentage (1½% of the first $2 billion and 1% of the excess thereafter) of eligible assets net of specific provisions for losses relating to such assets.

2. Acquisitions

During the two year period ended October 31, 1982, the Bank acquired the following subsidiaries:

1982 —

Canadian Acceptance Corporation Limited
(subsequently amalgamated with RoyLease Limited)
Banque Occidentale pour l'Industrie et le Commerce (Suisse)
(subsequently renamed The Royal Bank of Canada (Suisse))
Tennant Guaranty Limited (subsequently renamed
The Royal Bank of Canada Trade Finance Limited)
The Finance Corporation of Bahamas Limited

1981—

Hansische Kaufmannsbank A.G.
Orion Bank Limited (interest increased from 20% to 100% and subsequently merged with The Royal Bank of Canada (London) Limited to form Orion Royal Bank Limited)

The initial consolidation of these acquisitions increased total assets by $900 million in 1982 and by $3,900 million in 1981.

3. Income Taxes

The total income taxes for each period are reported in the financial statements as follows:

	Three Months Ended January 31		Year Ended October 31				
	1983	1982	1982	1981	1980	1979	1978
Statement of Income	$26,000	$(17,000)	$ (28,000)	$160,219	$60,876	$60,557	$135,651
Statement of Retained Earnings —							
Transfer to appropriations for contingencies	—	—	(94,000)	(35,675)	(10,487)	(17,318)	(17,487)
Expenses of share issues, including those of subsidiaries	—	(3,250)	(3,250)	—	(1,277)	(2,304)	—
Total Income Tax Expense (Credits)	$26,000	$(20,250)	$(125,250)	$124,544	$49,112	$40,935	$118,164

The total amount of income taxes differs from the amount currently payable because certain income and expense items are reported in the financial statements in periods other than those in which they are reportable for tax purposes. The deferred income tax credits represent income tax benefits related to deductions available to reduce taxable income of future periods. The current and deferred income taxes are as follows:

	1983	1982	1982	1981	1980	1979	1978
Current income taxes	$21,968	$ 16,384	$ 93,682	$ 87,119	$61,847	$42,618	$105,166
Deferred income taxes	4,032	(36,634)	(218,932)	37,425	(12,735)	(1,683)	12,998
Total Income Tax Expense (Credits)	$26,000	$(20,250)	$(125,250)	$124,544	$49,112	$40,935	$118,164

The effective income tax rate is less than the combined federal and provincial statutory income tax rate for the following reasons:

	1983	1982	1982	1981	1980	1979	1978
Combined federal and provincial statutory income tax rate	49.1%	50.3%	50.3%	51.0%	50.5%	48.6%	48.4%
Increase (decrease) in rate resulting from:							
Tax exempt income from securities, primarily income debentures, term preferred shares and small business development bonds	(22.3)	(68.7)	(54.2)	(23.2)	(29.5)	(28.8)	(9.4)
Lower average tax rate applicable to foreign subsidiaries	(8.4)	(6.8)	(10.8)	(4.6)	(7.2)	(5.8)	(5.2)
Other	.4	(1.5)	6.2	1.7	.6	2.5	.1
Effective income tax rate	18.8%	(26.7)%	(8.5)%	24.9%	14.4%	16.5%	33.9%

4. Income per Share

Basic Income per Share is after deducting preferred dividends and has been calculated on the average number of common shares outstanding. The average number of common shares outstanding for the three months ended January 31, 1983 was 85,482,628 (1982-83,152,479) and for the year ended October 31, 1982 was 83,830,058 (1981 — 81,710,495; 1980 — 73,401,956; 1979 — 73,180,800; 1978 — 73,180,800).

Fully Diluted Income per Share has been calculated on the average number of common shares which would have been outstanding in each period assuming conversion of all convertible securities outstanding as at the beginning of each period or date of issue if later. For purposes of this calculation, income has been increased by the after-tax interest on convertible debentures, the dividends on convertible preferred shares and an imputed after-tax return at an appropriate rate on additional funds of $42,000,000 which would be received on the conversion of the convertible preferred shares.

5. Securities

	January 31		October 31	
	1983	1982	1982	1981
Securities Issued or Guaranteed by				
Canada	$2,697,389	$2,636,025	$2,426,363	$3,147,591
Provinces and municipal or school corporations in Canada	79,482	85,690	61,033	93,495
Other Securities				
Debt Securities:				
Floating rate income debentures	619,145	758,399	747,786	825,072
Floating rate small business development bonds	714,062	884,564	806,077	439,953
Other	590,905	717,112	629,027	714,766
Equity Securities:				
Floating rate term preferred shares	1,876,045	1,883,321	1,825,991	1,888,165
Associated Corporations	94,966	79,484	82,975	74,821
Other	314,121	192,357	215,313	162,563
	$6,986,115	$7,236,952	$6,794,565	$7,346,426

	Maturity					January 31, 1983		October 31, 1982	
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Carrying Amount	Estimated Market Value	Carrying Amount	Estimated Market Value
Securities Issued or Guaranteed by									
Canada	$2,315,270	$ 165,057	$ 13,409	$ 195,308	$ 8,345	$2,697,389	$2,697,232	$2,426,363	$2,420,706
Provinces and municipal or school corporations in Canada	37,886	21,946	11,331	2,877	5,442	79,482	77,810	61,033	58,117
Other Securities									
Debt Securities:									
Floating rate income debentures	125,612	212,912	111,655	158,541	10,425	619,145	619,145	747,786	747,786
Floating rate small business development bonds	3,783	395,992	314,287	—	—	714,062	714,062	806,077	806,077
Other	214,920	101,405	74,586	122,515	77,479	590,905	574,739	629,027	611,818
Equity Securities:									
Floating rate term preferred shares	56,013	172,825	601,367	1,015,340	30,500	1,876,045	1,876,045	1,825,991	1,825,991
Associated Corporations	—	—	—	—	94,966*	94,966	94,966	82,975	82,975
Other	—	—	—	—	314,121*	314,121	314,121	215,313	195,218
	$2,753,484	$1,070,137	$1,126,635	$1,494,581	$ 541,278	$6,986,115	$6,968,120	$6,794,565	$6,748,688

*These securities have no stated maturity

6. Other Loans

	January 31 1983	January 31 1982	October 31 1982	October 31 1981
Provinces and municipal or school corporations in Canada	$ 361,034	$ 312,165	$ 332,169	$ 407,838
Associated corporations	70,835	200	51,856	150
Lease receivables	597,745	566,992	601,976	507,825
Other loans in Canadian currency	28,197,356	28,820,829	28,993,490	26,583,691
Other loans in foreign currencies	21,318,883	19,198,590	20,735,133	20,267,840
	$50,545,853	$48,898,776	$50,714,624	$47,767,344

7. Land, Buildings and Equipment

	Cost	Accumulated Depreciation	January 31 1983 Net Book Value	January 31 1982 Net Book Value	October 31 1982 Net Book Value	October 31 1981 Net Book Value
Land	$ 120,012	$ —	$120,012	$123,334	$119,232	$118,193
Buildings	550,192	103,546	446,646	434,091	436,554	435,881
Furniture, fixtures and equipment	424,593	223,336	201,257	161,820	191,945	167,331
Leasehold improvements	182,537	71,646	110,891	100,200	113,540	88,861
	$1,277,334	$398,528	$878,806	$819,445	$861,271	$810,266

8. Other Assets

	January 31 1983	January 31 1982	October 31 1982	October 31 1981
Accrued interest	$1,001,568	$1,656,552	$1,189,531	$1,345,064
Unamortized past service pension contributions	57,930	63,650	59,360	65,080
Deferred income taxes	73,373	—	79,364	—
Sundry	526,528	417,027	697,214	395,019
	$1,659,399	$2,137,229	$2,025,469	$1,805,163

9. Deposits

	January 31 1983	January 31 1982	October 31 1982	October 31 1981
Deposits by Canada	$ 1,308,876	$ 1,869,691	$ 696,078	$ 884,030
Deposits by provinces	425,881	80,907	764,979	127,799
Deposits by banks	20,011,461	21,039,705	19,762,586	20,549,445
Deposits by individuals	31,953,390	28,814,272	32,059,422	29,262,451
Other deposits	22,910,756	26,090,638	25,122,397	26,041,663
	$76,610,364	$77,895,213	$78,405,462	$76,865,388

10. Liabilities of Subsidiaries other than Deposits

The following long-term liabilities of subsidiaries are subordinated in right of payment to claims of the Bank's depositors and certain other creditors of the respective subsidiaries:

	January 31 1983	January 31 1982	October 31 1982	October 31 1981
RoyLease Limited				
Long-term notes payable in various amounts to 1995 and bearing interest at rates from 5¾% to 11¼%	$280,197	$248,043	$287,239	$115,552
The Royal Bank of Canada (Curacao) N.V.				
7¼% DM 100,000,000 bonds due 1990	49,860	51,360	48,493	54,120
Other subsidiaries	13,082	15,890	10,822	2,447
	$343,139	$315,293	$346,554	$172,119

11. Other Liabilities

	January 31		October 31	
	1983	1982	1982	1981
Accrued interest	$1,381,541	$1,891,646	$1,593,789	$1,656,185
Deferred income taxes	—	106,488	—	95,733
Accounts payable and accrued expenses	734,039	779,614	631,520	668,662
	$2,115,580	$2,777,748	$2,225,309	$2,420,580

12. Debentures

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. In accordance with the formula prescribed in the Bank Act, as at February 1, 1983 and November 1, 1982 the Bank had the capacity to issue an additional $315,000,000 and $270,000,000 respectively of debentures.

				January 31		October 31	
Maturity	Rate			1983	1982	1982	1981
April 1, 1982	8¾%			$ —	$ 35,000	$ —	$ 35,000
February 15, 1984	8%		Callable on or after February 15, 1982	40,000	40,000	40,000	40,000
May 15, 1986	10%		Callable on or after May 15, 1984	40,000	40,000	40,000	40,000
June 1, 1986	9¼%			60,000	60,000	60,000	60,000
April 7, 1987		(2)		123,670	—	122,550	—
June 1, 1987	9%			75,000	75,000	75,000	75,000
December 1, 1987	7½%	(1)	Callable on or after December 1, 1982	789	859	789	950
April 1, 1988	9½%	(1)	Callable on or after April 1, 1984	26,605	28,941	26,685	30,210
February 15, 1989	10.40%			75,000	75,000	75,000	75,000
November 15, 1990		(3)		75,000	75,000	75,000	75,000
April 15, 1991	7%	(1)	Callable on or after April 15, 1983	2,924	2,969	2,925	3,172
July 22, 1991	12%	(4)	Convertible	100,000	100,000	100,000	100,000
December 9, 1991		(5)	Convertible, callable on or after December 10, 1986	260,000	260,000	260,000	
February 15, 1992	9%	(1)	Callable on or after February 15, 1985	36,350	40,000	36,350	40,000
May 15, 1994	10%	(1)	Callable on or after May 15, 1986	40,000	40,000	40,000	40,000
December 1, 1994	10%		Maturity on December 1, 1984 at the option of the holder and callable on or after that date	75,000	75,000	75,000	75,000
May 22, 2000	11⅝%	(1),(6)	Callable on or after November 22, 1992	92,753	89,850	91,913	89,993
				$1,123,091	$1,037,619	$1,121,212	$779,325

(1) Subject to sinking fund provisions.
(2) The April 7, 1987 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $100,000,000. These debentures bear interest at a rate equal to the average of the six months LIBOR.
(3) The November 15, 1990 debentures bear interest at a rate of ⅝ of 1% below the Bank's average daily prime rate.
(4) The July 22, 1991 debentures are convertible at the option of the holder prior to July 21, 1991 into common shares at a conversion price of $35 per common share. These debentures are also convertible at the option of the Bank on or after July 23, 1986 at a conversion price of $35 per common share if the common shares have traded at or in excess of certain weighted average prices.
(5) Subject to the call provisions, the December 9, 1991 debentures are convertible at the option of the holder up to and including December 9, 1991 into common shares at a conversion price of $30 per common share subject to adjustment in certain events. The debentures bear interest at a rate of 15½% to December 9, 1983 and 11¼% thereafter.
(6) The May 22, 2000 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $75,000,000.

The aggregate sinking fund requirements and maturities of the Bank's debentures outstanding, assuming the earliest possible dates of maturity under the terms of the issue, are as follows:

	January 31, 1983	October 31, 1982
Within 1 year	$ 605	$ 685
From 1 to 2 years	120,350	45,350
From 2 to 3 years	6,000	81,000
From 3 to 5 years	323,517	321,498
From 5 to 10 years	595,567	571,084
Over 10 years	77,052	101,595
	$1,123,091	$1,121,212

13. Capital Stock

Authorized Capital Stock —

Preferred — 50,000,000 First Preferred Shares and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares may be issued shall not exceed $1,250,000,000 in each case. Common — 250,000,000 shares of $1 each.

Changes since October 31, 1979 in Capital stock were as follows:

	Preferred Stock					Common Stock		
	First Preferred		Second Preferred		Total Preferred Stock Amount		Total Common Stock Amount	Total Capital Stock Amount
	Number of Shares	Amount	Number of Shares	Amount		Number of Shares (3)		
October 31, 1979	—	$ —	—	$ —	$ —	73,181	$73,181	$73,181
1980 Rights Offering	—	—	—	—	—	6,808	7,062	7,062
October 31, 1980	—	—	—	—	—	79,989	80,243	80,243
1980 Rights Offering	—	—	—	—	—	2,340	2,086	2,086
Shareholder Dividend and Share Purchase Plan	—	—	—	—	—	514	514	514
Issuance of First Preferred Shares	6,094	152,340	—	—	152,340	—	—	152,340
Purchase of First Preferred Shares for cancellation	(83)	(2,055)	—	—	(2,055)	—	—	(2,055)
October 31, 1981	6,011	150,285	—	—	150,285	82,843	82,843	233,128
Shareholder Dividend and Share Purchase Plan	—	—	—	—	—	413	413	413
Purchase of First Preferred Shares for cancellation	(80)	(2,000)	—	—	(2,000)	—	—	(2,000)
Issuance of Second Preferred Shares	—	—	8,400	210,000	210,000	—	—	210,000
January 31, 1982	5,931	148,285	8,400	210,000	358,285	83,256	83,256	441,541
Shareholder Dividend and Share Purchase Plan	—	—	—	—	—	1,577	1,577	1,577
Purchase of First Preferred Shares for cancellation	(169)	(4,247)	—	—	(4,247)	—	—	(4,247)
October 31, 1982	5,762	144,038	8,400	210,000	354,038	84,833	84,833	438,871
Shareholder Dividend and Share Purchase Plan	—	—	—	—	—	1,309	1,309	1,309
Purchase of First Preferred Shares for cancellation	(45)	(1,103)	—	—	(1,103)	—	—	(1,103)
January 31, 1983	5,717	$142,935	8,400	$210,000	$352,935	86,142	$86,142	$439,077

(1) The Bank has undertaken to purchase in each calendar quarter 48,000 of the First Preferred Shares Series A, if available, at prices not exceeding $25 per share.

(2) Subject to the Bank's right of conversion, the Second Preferred Shares Series A are convertible at the option of the holder up to and including December 8, 1988 into one Common Share upon payment by the holder of $5, being a conversion price of $30 per Common Share, subject to adjustment in certain events. If, after December 8, 1984, the Common Shares have traded at a price in excess of 125% of the prevailing conversion price for a specified period, the Bank shall have the right, upon notice, to convert the Convertible Preferred Shares into Common Shares at the prevailing conversion price. No additional payment will be required from the holders of Convertible Preferred Shares so converted. However, during the notice period, a holder of Convertible Preferred Shares will continue to have the right to convert, at his option, each Convertible Preferred Share into one Common Share upon the payment of $5 per share converted. Commencing January 1, 1989, the Bank has undertaken to purchase in each calendar quarter 1% of the shares, outstanding as of December 10, 1988 if available, at prices not exceeding $25 per share. The Convertible Preferred Shares are retractable at the option of the holder on or before November 9, 1988 at a price of $28.75 per share.

(3) After adjustment for the two for one stock split in March 1981; there were no shares issued during the years 1978 and 1979.

Common Shares were reserved for possible issuance as follows:	January 31, 1983	October 31, 1982
	(in thousands)	
— Under the Shareholder Dividend and Share Purchase Plan	1,187	2,496
— Upon conversion of the July 22, 1991 debentures	2,857	2,857
— Upon conversion of the December 9, 1991 debentures	8,667	8,667
— Upon conversion of the Second Preferred Shares Series A	8,400	8,400
	21,111	22,420

14. Prior Period Adjustment

Pursuant to a change in the application of foreign currency translation rules, a prior period adjustment of $21,419,000 was credited to Retained Earnings in the first quarter of 1982. This amount represents the net unrealized translation gain on investment positions in certain foreign subsidiaries, branches and associated corporations which occurred prior to October 31, 1981 but which was not recorded in consolidated net income. Retroactive application has not been given to this adjustment as the effect on net income for any one of the years in the four year period ended October 31, 1981 was not material.

15. Long-Term Commitments for Leases

Rental expense for buildings for the three months ended January 31, 1983 was $22,961,000 (1982 — $18,914,000) and for the year ended October 31, 1982 was $88,541,000 (1981 — $69,989,000; 1980 — $56,311,000; 1979 — $50,220,000; 1978 — $48,325,000).

Minimum future rental commitments for buildings under long-term non-cancellable leases as at October 31, 1982 for the next five years are:

1983	$51,637
1984	47,551
1985	44,261
1986	39,425
1987	34,789

Annual rental commitments after 1987 are in decreasing amounts.

16. Pension Plan

The Bank has an employee pension plan which is available to all employees after five years service or at age 25 on a contributory or a non-contributory basis.

Total pension expense, which includes amortization of past service costs over the average future service lives of employees aggregated $6,766,000 for the three months ended January 31, 1983 (1982 — $5,970,000) and $20,836,000 for the year ended October 31, 1982 (1981 — $22,193,000; 1980 — $30,895,000; 1979 — $28,379,000; 1978 — $24,138,000).

An actuarial valuation of the pension fund is performed at least every three years. As at January 1, 1982, the date of the latest valuation, the pension plan was fully funded. Other assets include unamortized past service pension contributions of $57,930,000 as at January 31, 1983 (1982 — $63,650,000) and $59,360,000 as at October 31, 1982 (1981 — $65,080,000).

17. Guarantees and Letters of Credit

Contingent liabilities under guarantees and letters of credit are as follows:

	January 31		October 31	
	1983	1982	1982	1981
Guarantees	$1,877,221	$1,998,505	$1,729,985	$1,777,014
Letters of credit	1,693,883	1,863,519	1,690,633	1,631,814
	$3,571,104	$3,862,024	$3,420,618	$3,408,828

18. Effect on Financial Statements of Bank Act Revisions

The Bank Act of 1980 substantially revised many of the financial accounting and reporting practices applicable to chartered banks, effective November 1, 1981.

Summary of Significant Accounting and Reporting Changes

1) Consolidation and Equity Accounting —

All subsidiaries are now consolidated whereas previously only wholly-owned banking subsidiaries were consolidated. This has the effect of increasing the total assets of the Bank. Similarly, the revenue and expenses of the previously non-consolidated subsidiaries are now consolidated with those of the Bank. This has the effect of increasing or decreasing net income of the Bank to the extent the Bank's share of the net income of the subsidiaries exceeds or falls below the dividends received by the Bank.

The Bank's share of income of associated corporations (companies owned between 20% and 50%) is now included in the Bank's "Income from securities" whereas previously only dividends from these companies had been included in income.

2) Guarantees and Letters of Credit —

The contingent liability of the Bank in respect of guarantees and letters of credit is no longer shown on the Statement of Assets and Liabilities as a liability offset by an equal asset. This has the effect of reducing the total assets and total liabilities of the Bank.

3) Securities —

Debt securities held in the Bank's Investment Account are carried at amortized cost. Equity securities are carried at cost less any amounts provided for permanent impairment of value. Previously, securities other than those of Canada and the provinces were carried at the lower of cost and market value.

Realized gains and losses on disposal of securities, which previously were recorded in Accumulated Appropriations for Losses are now included in "Income from securities". Gains and losses on debt securities are taken into income over a five-year period whereas gains and losses on equity securities are recorded in income in the year realized.

4) Appropriations Account —

Subject to certain adjustments, the General portion of Accumulated Appropriations for Losses was replaced by "Appropriations for Contingencies"; the Tax-Paid portion was included with "Retained Earnings". Changes in the balance of Appropriations for Contingencies are made through transfers to or from Retained Earnings.

5) Shareholders' Equity —

The Shareholders' Equity section is restructured and the combined balances of Rest Account and Undivided Profits allocated to "Contributed Surplus" and "Retained Earnings". Proceeds received in excess of the par value of shares issued are included in "Contributed Surplus". Dividends declared are shown as a charge to Retained Earnings.

As a result of the above changes, previously reported balances have been restated as follows:

	1981	1980	1979	1978
Consolidated Statement of Assets and Liabilities as at October 31				
Total liabilities decreased by	$2,310,823	$1,450,969	$1,148,804	$383,774
Total assets decreased by	2,156,669	1,351,741	1,046,329	301,462
Total capital and reserves increased by	$ 154,154	$ 99,228	$ 102,475	$ 82,312
Consolidated Statement of Income for the year ended October 31				
Net Income increased (decreased) by	$ (14,344)	$ 20,602	$ 18,978	$ 27,203

19. Subsequent Events

On February 17, 1983 the Bank obtained the approval of the Minister of Finance to change the authorized Common Shares from $1 par value to without nominal or par value and to limit the aggregate consideration for which all Common Shares may be issued to $3,000,000,000.

Pursuant to an underwriting agreement dated May 26, 1983 the Bank has agreed to issue a minimum of 14,000,000 and a maximum of 15,000,000 $1.45 First Preferred Shares Series B for estimated net proceeds of $271,200,000 and $290,720,000 respectively after deducting the underwriting fee and estimated expenses of issue.

20. Financial Statements of Mortgage and Leasing Subsidiaries

Royal Bank Mortgage Corporation (formerly RoyMor Mortgage Corporation)
Condensed Statement of Assets and Liabilities

	January 31		October 31	
	1983	1982	1982	1981
	(unaudited)			
Assets				
Residential mortgages	$3,709,291	$2,349,554	$3,239,455	$2,178,089
Other investments	117,666	105,604	109,835	101,790
Other assets	3,855	4,375	3,573	5,449
	$3,830,812	$2,459,533	$3,352,863	$2,285,328
Liabilities				
Accrued interest and other liabilities	$ 107,107	$ 31,239	$ 154,645	$ 95,801
The Royal Bank of Canada	47,903	11,308	52,869	33,542
Short-term promissory notes	1,063,484	319,977	611,620	101,998
Investment certificates				
Due within one year	1,536,516	851,801	1,388,221	759,948
Due beyond one year	907,294	1,135,935	1,002,807	1,155,231
Long-term debt	3,677	3,821	3,682	33,836
Deferred income taxes	18,644	14,732	17,606	13,853
Capital Stock				
Preferred	125,000	75,000	105,000	75,000
Common	4,800	4,800	4,800	4,800
Retained earnings	16,387	10,920	11,613	11,319
	$3,830,812	$2,459,533	$3,352,863	$2,285,328

Royal Bank Mortgage Corporation (formerly RoyMor Mortgage Corporation)
Condensed Statement of Income

	Three months ended January 31		Year ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
Income							
Interest on mortgages	$132,839	$ 81,881	$391,960	$223,082	$116,518	$ 75,106	$ 93,576
Interest on investments	3,822	5,025	18,117	16,129	14,383	5,003	3,975
Other	1	4	37	1,326	938	871	1,087
	136,662	86,910	410,114	240,537	131,839	80,980	98,638
Expenses							
Interest — The Royal Bank of Canada	764	177	1,739	1,092	179	739	161
Interest on short-term promissory notes	27,306	7,712	55,188	14,551	10,118	816	720
Interest on investment certificates	86,423	70,130	314,084	191,652	103,001	63,082	74,864
Interest on long-term debt	74	808	1,031	3,733	4,756	4,339	7,185
Operating expenses	7,955	5,681	24,268	15,587	8,280	5,642	6,412
	122,522	84,508	396,310	226,615	126,334	74,618	89,342
Net Income Before Income Taxes	14,140	2,402	13,804	13,922	5,505	6,362	9,296
Income Taxes	6,692	1,220	6,437	6,820	(818)	1,956	4,462
Net Income	$ 7,448	$ 1,182	$ 7,367	$ 7,102	$ 6,323	$ 4,406	$ 4,834

Note: The Royal Bank of Canada owns 99.9% of the capital stock of Royal Bank Mortgage Corporation.

RoyLease Limited
Condensed Statement of Assets and Liabilities

	January 31		October 31	
	1983	1982	1982	1981
	(unaudited)			
Assets				
Receivable under lease agreements	$467,870	$323,720	$473,490	$324,193
Amount due under conditional sales agreements	118,245	9,768	146,806	9,976
Other	5,882	28,354	16,001	10,398
	$591,997	$361,842	$636,297	$344,567
Liabilities				
Accrued interest and other liabilities	$ 26,305	$ 16,836	$ 35,064	$ 11,692
Short-term promissory notes	42,496	58,488	31,286	28,334
Long-term debt				
The Royal Bank of Canada	83,400	123,675	123,400	140,432
Other	308,475	113,494	317,866	115,552
Deferred income taxes	50,699	6,140	50,094	5,760
Capital Stock				
Preferred	28,000	28,000	28,000	28,000
Common	21,975	19,850	21,975	19,850
Retained earnings (Deficit)	30,647	(4,641)	28,612	(5,053)
	$591,997	$361,842	$636,297	$344,567

RoyLease Limited
Condensed Statement of Income

	Three months ended January 31		Year ended October 31				
	1983	1982	1982	1981	1980	1979	1978
	(unaudited)						
Income							
Lease	$14,655	$10,158	$57,309	$36,171	$27,859	$16,206	$12,924
Conditional sales agreements	5,457	244	24,450	1,483	—	—	—
Other	182	137	7,530	418	891	1,179	1,513
	20,294	10,539	89,289	38,072	28,750	17,385	14,437
Expenses							
Interest on short-term promissory notes	793	1,319	6,804	24,104	15,215	4,674	2,784
Interest on long-term debt	7,123	3,090	26,815	12,527	7,463	536	102
Interest — The Royal Bank of Canada	3,437	4,031	22,920	5,536	6,064	8,246	7,149
Operating expenses	4,375	1,307	20,573	3,364	2,689	1,568	1,236
	15,728	9,747	77,112	45,531	31,431	15,024	11,271
Net Income (Loss) Before Income Taxes	4,566	792	12,177	(7,459)	(2,681)	2,361	3,166
Income Taxes	2,094	380	3,483	(3,571)	(1,276)	2,198	2,130
Net Income (Loss)	$ 2,472	$ 412	$ 8,694	$(3,888)	$(1,405)	$ 163	$ 1,036

NOTES: (1) The Royal Bank of Canada owns the entire capital stock of RoyLease Limited.

(2) As at October 31, 1982, RoyLease Limited amalgamated with Canadian Acceptance Corporation Limited, which had previously been a wholly-owned subsidiary of The Royal Bank of Canada. The Condensed Statement of Assets and Liabilities as at October 31, 1982 includes the assets and liabilities of Canadian Acceptance Corporation Limited; the Condensed Statement of Income for the year ended October 31, 1982 includes the income and expenses of Canadian Acceptance Corporation Limited from January 1, 1982, the date of acquisition by the Bank.

Corporations in which the Bank owns, directly or indirectly, more than 10% of the Voting Shares

Name	Principal Office Address	Carrying Value of Voting Shares owned by the Bank as at October 31, 1982 (in thousands of dollars)	Percent of Voting Shares owned by the Bank
Royal Bank Mortgage Corporation	Montreal, Canada	$ 16,413	99.9%
RoyLease Limited	Montreal, Canada	67,012	100
Royal Bank Realty Incorporated	Montreal, Canada	92,133	100
Globe Realty Management Limited	Toronto, Canada		100
Royal Bank Export Finance Co. Ltd.	Toronto, Canada	10,000	100
RoyNat Limited	Montreal, Canada	19,055	41.5
Aetna Financial Services Limited	Montreal, Canada	—	40
RoyMark Financial Services Limited	Toronto, Canada	20	50
Chargex Limited	Montreal, Canada	—	25
The Royal Bank and Trust Company	New York, U.S.A.	144,290	100
Banco de San Juan	San Juan, Puerto Rico	46,788	100
RBC Houdstermaatschappij B.V.	Amsterdam, Netherlands	16,409	100
The Royal Bank of Canada (Curaçao) N.V.	Curaçao, Netherlands Antilles		100
The Royal Bank of Canada (France) S.A.	Paris, France		100
RBC Finance B.V.	Amsterdam, Netherlands	34,930	100
Multinational Orion Leasing Holdings N.V.	Amsterdam, Netherlands	4,212	100
Orion Leasing Nederland B.V.	Amsterdam, Netherlands		100
Orion Leasing Singapore Pte. Limited	Singapore		100
RBC Management Services B.V.	Amsterdam, Netherlands	1,894	100
Orion Multinational Services Limited	London, England		100
Orion Multinational Services Inc.	New York U.S.A.		100
The Royal Bank of Canada (Middle East) S.A.L.	Beirut, Lebanon	5,746	100
RoyAust Holdings Limited	Sydney, Australia	5,912	100
RoyAust Limited	Sydney, Australia		100
RoyAust Finance Limited	Sydney, Australia		100
RoyAust Management Limited	Sydney, Australia		100
The Royal Bank of Canada (Asia) Limited	Singapore	13,432	100
The Royal Bank of Canada Representacoes S/C Ltda.	São Paulo, Brazil	32	100
Royal Bank Trust Company (Barbados) Limited	Bridgetown, Barbados	67	100
Royal Bank Trust Company (Guyana) Limited	Georgetown, Guyana	70	100
R.B.C. Bahamas Limited	Nassau, Bahamas	26,867	100
Finance Corporation of Bahamas Limited	Nassau, Bahamas		100
The Royal Bank of Canada (Barbados) Limited	Bridgetown, Barbados		100
RoyMidEast Limited	Athens, Greece		100
RoyCan International Banking Limited	Nassau, Bahamas		100
Bishops International Bank Limited	Nassau, Bahamas		100
Banco Royal Colombiano	Bogotá, Colombia	4,298	48.8
The Royal Bank of Trinidad & Tobago Limited	Port of Spain, Trinidad	30,838	47.3
Royal Bank Trust Company (Trinidad) Limited	Port of Spain, Trinidad		47.3
The Royal Bank Mortgage & Finance Co. Ltd.	Port of Spain, Trinidad		47.3
General Finance Corporation Limited	Port of Spain, Trinidad		26.5
The Royal Bank Jamaica Limited	Kingston, Jamaica	6,904	48
Royal Bank Trust Company (Jamaica) Limited	Kingston, Jamaica		48
Computer Service & Programming Limited	Kingston, Jamaica		48
Ouvidor Industria E. Comercio Ltda.	Rio de Janeiro, Brazil	55	50

Name	Principal Office Address	Carrying Value of Voting Shares owned by the Bank as at October 31, 1982 (in thousands of dollars)	Percent of Voting Shares owned by the Bank
RBC Holdings B.V.	Amsterdam, Netherlands	$231,441	100%
Orpac Holdings Limited	Hong Kong		100
The Royal Bank of Canada (Suisse)	Geneva, Switzerland		100
The Royal Bank of Canada A.G.	Dortmund, Germany		100
Intercontact GMBH	Düsseldorf, Germany		100
Hansische Kaufmannsbank A.G.	Düsseldorf, Germany		100
Bankhaus Bohl & Co.	Freudenstadt, Germany		100
The Royal Bank of Canada (Belgium) S.A.	Brussels, Belgium		100
The Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands		100
Orion Royal Bank (Guernsey) Limited	Guernsey, Channel Islands		100
RBC Investment Managers Limited	Guernsey, Channel Islands		100
The Royal Bank of Canada Trustees (Jersey) Limited	Jersey, Channel Islands		100
The Royal Bank of Canada Trustees (Guernsey) Limited	Guernsey, Channel Islands		100
RoyCan Trust Company A.G.	Zug, Switzerland		100
The Royal Bank of Canada (Overseas) N.V.	Curaçao, Netherlands Antilles		100
InchRoy Credit Corporation Limited	Hong Kong		70
RoyCan Finanz. A.G.	Zug, Switzerland		100
RoyEast Investments Limited	Hong Kong		100
The Royal Bank of Canada Holdings (U.K.) Limited	London, England		100
Libra Bank Limited	London, England		10.6
The Royal Bank of Canada Trade Finance Limited	London, England		100
Chancellor Investments Limited	London, England		100
Orion Royal Bank Limited	London, England		100
Orion Shipping Holdings Limited	Jersey, Channel Islands		100
Orion (Cayman) Limited	Georgetown, Grand Cayman		100
Orion Termbank Limited	London, England		100
Orion Leasing Holdings Limited	London, England		100
Orion Leasing Limited	London, England		100
Profitmore Limited	London, England		100
Orion Finance Limited	London, England		100
Orion Pacific Holdings Limited	Hong Kong		100
Orion Royal Pacific Limited	Hong Kong		100
Western Trust & Savings Holdings Limited	Plymouth, England		100
Western Trust & Savings Insurance Services Limited	Plymouth, England		100
Western Trust & Savings Limited	Plymouth, England		100
Western Trust & Savings Properties Limited	Plymouth, England		100
Western Industrial Leasing Company Limited	Plymouth, England		30

Name	Principal Office Address	Carrying Value of Voting Shares owned by the Bank as at October 31, 1982 (in thousands of dollars)	Percent of Voting Shares owned by the Bank
The Royal Bank of Canada International Limited	Nassau, Bahamas	$111,382	100%
Layor C.A.	Caracas, Venezuela		19.9
Canadian International (Cayman) Limited	Georgetown, Grand Cayman		100
RBC Investments Limited	Nassau, Bahamas		100
Shan-Croft Properties Limited	Nassau, Bahamas		63.9
Banco Internacional S.A.	São Paulo, Brazil		50
Banco Royal Venezolano C.A.	Caracas, Venezuela		20
Banco Royalven Curaçao N.V.	Curaçao, Netherlands Antilles		36
Favourable Investments Ltd.	Hong Kong		25
Canadian Overseas Development Company Limited	Hong Kong		25
RoyWest Holdings Limited	Nassau, Bahamas		50
RoyWest Investments Limited	Nassau, Bahamas		50
Group Services Limited	Nassau, Bahamas		83.3
Rowe Holdings S.A.	Panama City, Panama		50
Middleburg Land Company N.V.	Curaçao, Netherlands Antilles		50
Sterling Bahamas Properties Limited	Nassau, Bahamas		50
Wilbr Limited	Nassau, Bahamas		50
RoyWest Trust Corporation Limited	Nassau, Bahamas		50
RWC Limited	Georgetown, Grand Cayman		50
RoyWest Trust Corporation (Panama) Inc.	Panama City, Panama		50
RoyWest Trust Corporation (Bahamas) Limited	Nassau, Bahamas		50
RoyWest Trust Corporation (Cayman) Limited	Georgetown, Grand Cayman		50
RoyWest Trust Corporation (Guernsey) Limited	Guernsey, Channel Islands		50
RoyWest Trust Corporation (Jersey) Limited	Jersey, Channel Islands		50
RoyWest Trust Corporation (BVI) Limited	Tortola, British Virgin Islands		50
RoyWest Trust Corporation (Isle of Man) Limited	Douglas, Isle of Man		50
RoyWest Trust Corporation S.A.	Lausanne, Switzerland		50
RoyWest Trusteeship Corporation of Europe A.G.	Vaduz, Liechtenstein		50

The carrying value of voting shares owned 20% or more by the Bank is stated at the Bank's equity in such direct investments.

The jurisdiction of incorporation of each corporation is in the country of the principal office address with the exception of RoyMidEast Limited which is incorporated in Georgetown, Grand Cayman.

Purchaser's Statutory Rights

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase the securities within two business days after receipt of this prospectus and, as well as remedies for rescission or, in certain provinces, damages where the prospectus contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his province. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal advisor.

Sections 60 and 61 of the Securities Act (British Columbia) and Sections 25 and 26 of the Securities Ordinances of the Northwest and Yukon Territories provide, in effect, that where a security is offered in the course of primary distribution to the public:

(a) a purchaser has a right to rescind a contract for the purchase of such security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the Superintendent of brokers or registrar, as the case may be, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 71 and 72 of The Securities Act (Saskatchewan) and Sections 63 and 64 of The Securities Act (Manitoba) provide, in effect, that where a security is offered in the course of distribution to the public:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus and amended prospectus offering such security is received or is deemed to be received by him or his agent, and;

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security, as of the date of receipt or deemed receipt contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 70, 126 and 135 of the Securities Act (Ontario) and Sections 106, 168 and 175 of the Securities Act (Alberta) provide, in effect, that when a security is offered in the course of a distribution:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is, under the Securities Act (Ontario), received or deemed to be received by the purchaser or his agent or is, under the Securities Act (Alberta), received by the purchaser, and

(b) if a prospectus together with any amendment to the prospectus contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall, under the Securities Act (Ontario) be deemed to have relied on such misrepresentation if it was a misrepresentation at the time of

purchase or, under the Securities Act (Alberta), be deemed to have relied on such misrepresentation and, subject to the limitations set forth in the relevant Act,

(1) has a right of action for damages against,

(i) the issuer or a selling security holder on whose behalf the distribution is made,

(ii) each underwriter required to sign the certificate required by Sections 58 and 91 of the Ontario and Alberta Acts, respectively,

(iii) every director of the issuer at the time the prospectus or amendment was filed,

(iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under the relevant Act but only with respect to reports, opinions, or statements made by them, and

(v) every other person or company who signed the prospectus or the amendment,

but no action to enforce this right can be commenced by a purchaser more than the earlier of, 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or three years (in the case of the Ontario Act) or one year (in the case of the Alberta Act) after the date of the transaction that gave rise to the cause of action, or

(2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

As the 1,000,000 additional First Preferred Shares Series B which the Underwriters have the option to purchase for the purpose of covering over-allotments will, if so purchased, be sold by the Underwriters as part of the distribution of securities pursuant to this prospectus, purchasers of such First Preferred Shares Series B will be entitled to the statutory rights set forth above with respect to such First Preferred Shares Series B.

Certificates

Dated: May 26, 1983

This prospectus does not contain any misrepresentation, within the meaning of the Securities Act (Quebec) and the regulations adopted pursuant thereto, likely to affect the value or the market price of the securities to be distributed and constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the Bank Act and the regulations made thereunder and as required by Part 7 of the Securities Act (British Columbia), by Part III of the Securities Ordinance (Northwest Territories), by Part III of the Securities Ordinance (Yukon Territory), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and by the respective regulations thereunder, and by Section 13 of the Securities Act (New Brunswick).

(Signed) R. C. Frazee
Chairman and Chief Executive Officer

(Signed) R. A. Utting
Vice Chairman

(Signed) Dominic D'Alessandro
Vice President and Comptroller

(Signed) John Merriam
Chief Accountant

On behalf of the Board of Directors

(Signed) P. A. Nadeau
Director

(Signed) C. A. Dagenais
Director

To our knowledge, this prospectus does not contain any misrepresentation, within the meaning of the Securities Act (Quebec) and the regulations adopted pursuant thereto, likely to affect the value or the market price of the securities to be distributed and to the best of our knowledge, information and belief, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the Bank Act and the regulations made thereunder and as required by Part 7 of the Securities Act (British Columbia), by Part III of the Securities Ordinance (Northwest Territories), by Part III of the Securities Ordinance (Yukon Territory), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and by the respective regulations thereunder, and by Section 13 of the Securities Act (New Brunswick).

Wood Gundy Limited

By: (Signed) T. C. W. Reid

Nesbitt Thomson Bongard Inc.

By: (Signed) D. M. McEntyre

Dominion Securities Ames Limited

By: (Signed) L. H. Goth

Pitfield Mackay Ross Limited

By: (Signed) W. Y. Soper

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

Wood Gundy Limited: C. E. Medland, W. D. Bean, J. R. LeMesurier, J. M. G. Scott, I. S. Steers, P. A. T. Campbell and G. E. King;

Nesbitt Thomson Bongard Inc.: J. B. Aune, B. J. Steck, G. R. P. Bongard, K. G. Copland, T. A. Jackson, K. W. McArthur and A. R. D. Nesbitt;

Dominion Securities Ames Limited: A. S. Fell, J. B. Pitblado, G. S. Dembroski, E. C. Lipsit, C. R. Younger, D. L. Erwood, B. W. Douglas, L. H. Goth, G. L. Ball, M. J. Biscotti and D. O. Hawkey; and

Pitfield Mackay Ross Limited: W. C. Pitfield, D. L. Torrey, D. C. Mackay, A. F. MacAllaster, J. C. Caty, W. Y. Soper, M. R. Caceres, H. H. Turnbull, W. R. Mackay, D. Brown and T. F. Rahilly.

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Annual Rep
for 1983

Corporate Profile

Contents

With its worldwide corporate headquarters in Montreal, The Royal Bank of Canada has major offices, trading facilities and regional headquarters in key cities across Canada and around the world, as listed on pages 78-81.

Featured on the cover of this year's Report is the Royal Bank Plaza, the Bank's major building in Toronto, Ontario. Located in the heart of the city's financial district, the Plaza is a focal point for business and industry at the hub of Canada's money markets. Its twin towers house the Bank's Ontario regional headquarters office, as well as a number of corporate head office functions.

The Royal Bank of Canada, chartered in 1869, is Canada's largest chartered bank, with average assets for 1983 of $86.7 billion. From its beginnings the Bank has worked towards two fundamental goals: the provision of high quality banking services to all sectors of Canadian society and a vigorous participation in international trade and world markets.

The Royal Bank has an extensive network of branches, subsidiaries and affiliates in Canada and abroad, with more than 1,730 operating units in 47 countries. The Royal is North America's fourth largest bank in terms of both assets and deposits and is also one of the world's largest retail banks.

The Corporate Headquarters is in Montreal, Canada, with certain head office functions located in Toronto, Winnipeg and Calgary. In order to bring prompt decision-making as close as possible to the client, the Bank's operations are managed through 13 regional headquarters, six in strategically located financial centres throughout the world and seven in major Canadian cities.

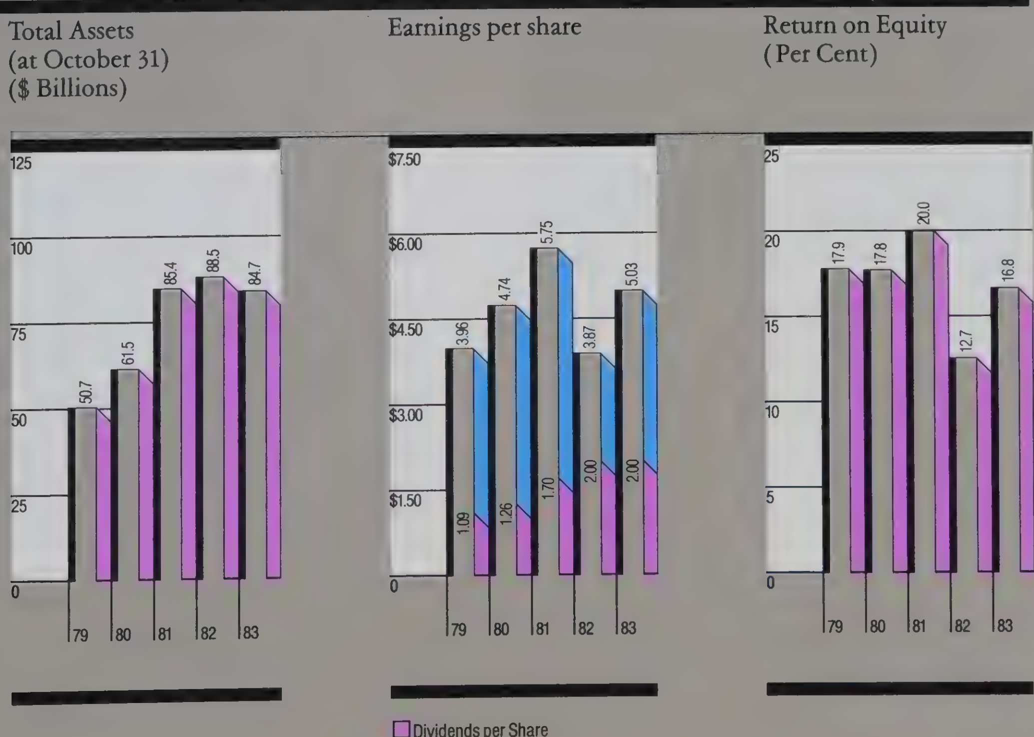
The Bank's domestic operations include an extensive network of 1,456 branches across Canada serving individuals, businesses and communities, large and small. Many of these branches specialize in particular market sectors in order to provide better attention to customers' financial needs.

The Bank's international operations accounted for more than a third of its average assets in 1983. Its international commercial, wholesale and retail banking capability of over 280 operating units is further extended through over 5,000 correspondent relationships with banks in nearly every country of the world.

It continues to be the view of Royal Bank management that success is best achieved through developing and providing the highest quality retail and wholesale banking services where they are needed by clients. To that end, the Bank places heavy stress on the selection, training and development of its staff — now nearly 38,700 — and puts a heavy premium not only upon responsiveness, innovation, skill and knowledge, but also upon judgment, integrity and the highest standards of ethics and social responsibility.

Financial Highlights

For the year ended October 31	1983	1982	Per Cent Change
Earnings Data			
Net Income ($ Millions)	**$480.0**	$357.6	34.2%
Return on (average) Assets	**.55%**	.40%	
Return on (average) Equity	**16.8%**	12.7%	
Balance Sheet Data ($ Millions)			
Loans	**$58,067**	$60,284	(3.7)
Total Assets	**84,682**	88,456	(4.3)
Debentures	**1,119**	1,121	(0.2)
Capital and Reserves	**3,299**	2,883	14.4
Capital and Reserves/Assets	**3.90%**	3.26%	
Common Stock Data			
Income per Share			
Basic	**$ 5.03**	$ 3.87	30.0
Fully Diluted	**4.58**	3.68	24.5
Dividends per Share	**2.00**	2.00	–
Share Price:			
High	**36.00**	27.50	30.9
Low	**23.50**	18.00	30.6
Book Value—October 31	**30.05**	29.82	0.8
Number of:			
Shareholders	**62,332**	51,159	21.8
Common Shares Outstanding (thousands)	**88,162**	84,833	3.9
Employees	**38,687**	39,757	(2.7)
Branches	**1,536**	1,568	(2.0)



Rowland C. Frazee
Chairman and
Chief Executive Officer

In my message to shareholders in last year's Annual Report I concluded with the observation that our ability to manage the Bank effectively in these volatile times lay in the collective energy, intelligence, imagination and judgement of our staff. It is, of course, traditional to recognize the efforts of staff and this is entirely appropriate for any service-based organization where the quality of people is the critical factor.

In this year's Report you will find considerable mention of the difficulties and problems we and our customers encountered during the year, and about our efforts to counter these problems. I believe you will agree with me that, on balance, 1983 must be considered a year of success and accomplishment, particularly as measured against the previous year. We are fully confident this progressive improvement will continue, but also well aware there is much still to be done.

Looking back over the year, with its challenges and achievements, I realize what an extraordinary contribution the staff of this Bank has made. Our success in the period is very much the measure of the strength of our people.

In most businesses when customers beat a path to your doorstep and line up to buy your product or service, it's considered a sign of success. It is ironic that in branch banking (which represents more than a third of our total business), lineups are viewed as a problem.

Canadians enjoy the best retail banking service in the world and I am convinced that the Royal Bank's continuing emphasis on the quality of the service we provide puts us in a leading position in Canada... but we still have lineups.

These lineups are an aggravation and an inconvenience to our branch customers. They also create considerable stress for those of our staff who work behind the counter. And there was plenty of stress for them in 1983 not only because of the volume of service demands and cost constraints, but also because the market for, and range of, our services is becoming more complex, requiring more knowledge. As well, our "front line" employees have,

more often than ever before, been the prime recipients of criticism of banks voiced by customers who are themselves affected by the stress induced by difficult times.

But the pressure has not, of course, been limited to branch personnel. Stress has been a prominent feature of the lives of "back office" and administrative staff stretching their ingenuity to improve productivity, and it has certainly loomed large in the work environment of our international bankers, working in a market where debt problems and loan reschedulings have been a continuing preoccupation.

As you will read on the following pages, we have taken a number of initiatives to assist our customers and our staff. One of the most important of these is our commitment to electronic banking. We are determined to remain a leader in the use of technology in banking, because we believe it provides the opportunity not only to improve on the quality of our services to customers, but also because we see opportunities to enrich the role of our employees in the process.

Providing the best possible quality of service is not only a business objective, it is also a fundamental corporate social responsibility. This also finds expression in the involvement of the Bank and its people in the communities we serve.

Despite the enormous pressures on our branch staff they still find time to make their own special contribution to society as employees of the Bank and as responsible private citizens.

During a recent 12-month period we estimate, on the basis of an internal survey, that the equivalent of over 20,000 person days were spent by Bank exployees on activities such as Boy Scouts and Girl Guides; the Cancer Society; Kidney Foundation; Heart Fund and other similar groups; local service clubs (Kiwanis, Rotary, etc.); United Way; Daycare Centres and a host of other equally worthwhile social and cultural organizations.

The survey did not include the very considerable time our people also devote to a broad variety of business-related organizations outside the Bank.

In the Operations Review you will also read about organizational adjustments made during the year. These changes were implemented on June 1, coinciding with the retirement of Jock K. Finlayson whose distinguished 44-year career with the Bank took him from a junior branch position in Nanaimo, British Columbia to the presidency of the Bank. Mr. Finlayson's services will be missed although we will continue to benefit from his counsel as a director of the Bank. Mr. Finlayson was succeeded as president by Allan R. Taylor who also assumed the additional role of chief operating officer.

In the following pages we have attempted to provide you with a clear and somewhat detailed picture of the operations, concerns and directions of the Bank. Supporting the words which tell the story of 1983 and the direction we are headed in 1984 is a visual theme illustrating some of our business sectors and geographic markets, as well as the role of our people. It is to the 38,000 employees of the Royal Bank, in Canada and abroad, that this Annual Report is appropriately dedicated.

Rowland C. Frazee
Chairman and
Chief Executive
Officer

Allan R. Taylor
President and
Chief Operating Officer

Our fiscal year began with Canada and most of the world still mired in the deepest recession in the past 50 years. It ended on a note of cautious optimism based, primarily, on the economic recovery underway in North America.

A year ago Canada was not alone in its predicament, but this provided little comfort to Canadians from all walks of life faced with high unemployment and still unacceptable levels of inflation. As the year progressed the country's fortunes began to brighten and the outlook for a sustainable, if modest, economic recovery improved. By year-end, inflation was hovering at a rate of just over five per cent and our own economists were predicting an average real rate of growth in Canadian GNP between the fourth quarters of 1982 and 1985 of 4.4 per cent. Other countries fared less well. It is the ongoing economic problems plaguing much of the developing world which temper optimism for a strong and broadly-based recovery.

We review the Bank's financial results and its operating performance against this backdrop of improving North American conditions but continuing weakness in our international markets.

Managing any business enterprise, large or small, during the past year was a demanding task. Managing an extensive and diversified banking organization in the environment of the past year was doubly difficult. Our decisions affected not only the Bank, its staff and shareholders, but also, and sometimes with profound effect, our customers, communities and even countries.

In March, the Chairman convened a conference attended by our top officers. Its purpose was to establish a consensus on a set of priorities and performance targets based on changes in the immediate and medium-term outlook. The group agreed on six priority areas for additional concentrated effort:

- the quality of bank assets
- the Bank's competitive funding ability
- business building through selective growth
- productivity
- electronic banking
- management training and development.

Our ability to progress in these areas was helped considerably by the realignment and consolidation of the Bank's head office organization structure during the year.

Believing that the organization pattern of any dynamic business enterprise must continually evolve, we are convinced that this most recent adjustment in the Royal Bank's structure will improve our ability to adapt productively to the changing market environment of the 1980s in Canada and abroad. It expands the mandate of the president—adding the title of chief operating officer—to focus more strongly on operations. This in turn provides the chairman and chief executive officer with more time to devote to long-range strategy and policy. Another feature of this organizational realignment is the additional strength it brings to the internal financial management function. It also provides for the bankwide integration of the liability management function.

The Domestic Banking Group formally combines commercial and retail banking services, National Accounts and the Global Energy and Minerals Group under the leadership of M.J. Regan, senior executive vice-president.

The newly-formed International and Corporate Banking Group includes International Banking (incorporating World Trade Services), World Corporate Banking and Merchant Banking, a move designed to integrate and streamline a major portion of the Bank's global business. This group is headed by R.G.P. Styles, senior executive vice-president.

The Financial Control and Administration Group includes Control and Financial Planning, Operations and Systems, Productivity/Organization, Real Estate Resources and the Secretary's Department. A.H. Michell, senior executive vice-president, is responsible for these functions.

Development of the Bank's overall treasury and financial strategy and credit policy continues to be the primary responsibility of R.A. Utting, the vice-chairman, Montreal. The treasury and money market operations in Canada and abroad are consolidated under the direction of R.C. Paterson, executive vice-president.

H.E. Wyatt, the vice-chairman, Western Canada, has a major responsibility for representing the Bank in Western Canada, the Western United States and countries of the Asia Pacific area.

In the following pages we review some of the ways in which the Bank addressed the six strategic priorities mentioned earlier.

Canadians telephone around the world almost as easily as they call across town. Behind this lies a complex communication system involving satellites and submarine cables and some of the best technology in the world–much of it Canadian designed. The Royal Bank plays an important role in providing the financing to make today's "high tech" ideas tomorrow's realities.

Competition in the domestic banking sector intensified in 1983 with chartered banks, near-banks and trust companies strengthening their efforts to increase market share selectively and improve loan portfolios.

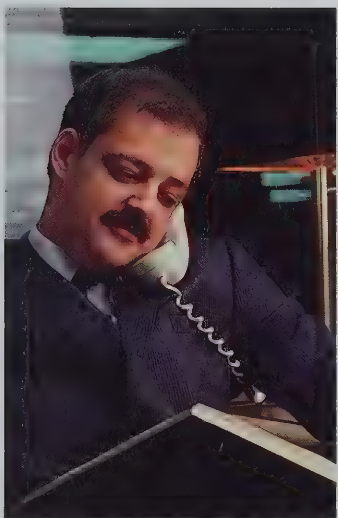
In order to upgrade the quality of our loans, we had to focus even more on the problems and concerns of our customers. Specifically, we wanted to strengthen our assistance to those clients with temporary difficulties, and to improve the management of problem accounts and our assessment of new credit opportunities.

The agricultural sector is a good example. During 1983, the Bank formalized its agricultural lending policy for consistent application across the country. The Bank's 45 agrologists were committed to the support of branch managers in the handling of problem accounts and in the arrangement of special loan work-outs.

The key principle here has been to apply the maximum of patience and ingenuity to the objective of keeping farms working and the farmers on them. Foreclosures have been avoided wherever any way could be found to do so.

The Bank also opened its second agricultural centre, this one in Brantford, to serve Southwestern Ontario's farming market. While we have farm lending capabilities in all agricultural areas of the country, these centres provide concentrated expertise in one central location for a designated market.

Above: Gabriel Tremblay and Joseph Chamberlain, employees of Teleglobe Canada, monitor signal quality received by the Teleglobe antenna at Weir, Quebec. Opposite Page: Pierre Chartier, Assistant Manager at our St. Catherine and Stanley branch in Montreal, who handles the Teleglobe account, is typical of the staff in our branch network who specialize in providing financial services to corporate and commercial customers in Canada.



Assisting farmers improve their financial skills was another important initiative during 1983. Our agrologists were equipped with portable micro-computers which enabled them to provide their customers with on-the-spot financial analyses. This effort was supported corporately when the Bank organized a national conference on farm financial management, using micro-computer technology and its role in agri-business as a theme.

Notwithstanding the difficulties experienced in segments of the agricultural industry, we continue to expand our support to this vital sector of the economy. We intend to maintain and indeed enhance our position as the leading Canadian bank for agriculture.

The Royal Bank has demonstrated a long-standing commitment to Canada's independent businesses. During the year, a bank-wide committee organized by the Independent Business group successfully introduced the Small Business Investment Grant (SBIG) program to branches across the country. By year-end, more Royal Bank clients had benefitted from this cost-saving program than those of any other bank. The Royal Bank Independent Business Loan Insurance Plan tripled in size in 1983 and is now the banking industry's leading life-insured loan plan for small firms. Management development for clients also continued to be a high priority. A new booklet called ''Managing Time for Productivity and Profit'' was added to the popular ''Your Business Matters'' series, and a new home-study program called ''Successful Business Management'' was marketed to Canadian businesses.

During 1983 the Royal Bank wrote $2.8 billion in new mortgages, 29 per cent of the residential mortgage business written by Canada's chartered banks. Volumes and market share in this area were well above historical levels, reflecting our position as the leading provider of residential mortgage services.

Significant market share gains were also recorded in our personal lending portfolio during the year, aided by a fine-tuning and simplification of our consumer lending program. This included the addition of a variable interest rate plan to our existing fixed rate loan service. The plan, the first of its kind offered by a major Canadian bank, already accounts for 25 per cent of all consumer loans written.

Early in the year we took the lead in rationalizing the pricing of bank Visa credit card services. Interest rates for outstanding balances were reduced to 18.6 per cent from 21 per cent and transaction fees were introduced. Cardholders were given the option of paying either 15 cents per transaction or an annual fee of $12.00 for unlimited use. By this process the recovery of operating costs of our credit card network and services is more equitably distributed among users. While this move toward the ''user-pay'' principle predictably brought some media and consumer criticism, the vast majority of our customers accepted the change and there resulted very little erosion of market share.

The Canadian prairies are the bread basket of the world and when it comes to wheat production, Saskatchewan farmers excel. Our Farm Irrigation Loan Program, one of many agricultural services the Royal Bank offers, and the irrigation equipment shown here it helped buy, improves yields on this 450 acre operation at Outlook, Saskatchewan–part of the Eliason family's farm.

A more knowledgeable customer is a better customer and with this in mind, the Bank has continued its efforts to ''demystify'' banking for the consumer. A series of ''Straight Talk'' booklets dealing with bank credit cards, mortgages, mortgage renewals and personal loans were produced during 1983 to help customers make better-informed buying decisions. A special booklet for children called ''Looking After Your Own Money'' was distributed through the branch system to help young people improve their spending habits. Response to these efforts has been very positive.

One beneficial side-effect of hard times has been that our officers have learned more about their clients' needs and problems. With consumer and independent business clients, as with commercial and corporate clients, the process of managing problem accounts and arranging loan work-outs has improved our officers' expertise, making them more capable of assessing client needs and prospects.

While this is true across the system, specific special loan units were established during the year in Alberta, British Columbia and Ontario, which together account for the majority of non-performing loans. Along with our Special Loans Group in Head Office, these units provide specialized support in this difficult area.

Training and development of our lending officers was also accelerated this year in order to improve their risk assessment and portfolio management skills. More than

Above: Son Jerry and father Peter Eliason check the moisture content of a freshly cut swath of wheat. Opposite: Royal Bank agrologists use computer technology to help customers. Here, John Murphy, Saskatchewan's District Manager of agriculture and one of 45 agricultural specialists at the Royal, uses a portable computer terminal in the family kitchen. These on-farm visits are an important part of the Royal Bank's agricultural program.

200 lending and account officers benefitted from intensive programs in the areas of credit assessment, loans administration and problem loans management.

The recession, slipping sales of natural gas and uncertainty early in the year about the stability of international oil prices all took their toll on Canada's energy industry, and, in turn, that segment of the Bank's lending portfolio. Our Global Energy and Minerals group responded to this situation with a number of initiatives, with particular emphasis on management information systems and specialized "energy banker" training programs.

In addition, an automation strategy based on micro-computers was developed during the year. The Global Energy and Minerals group has also implemented sophisticated programs for complex project evaluations. These will improve support services both to our line officers and their clients.

Productivity and cost management constitute a key priority. In Retail Banking, three of our key initiatives toward that goal involved the rationalization of the branch network; significant progress in electronic banking; and gains in employee performance.

A comprehensive evaluation of our branch network configuration was, and continues to be, a priority, with contraction being an option in urban areas when it can be accomplished without adversely affecting the quality of customer service. This program involves taking a hard look at the way we deliver services to our customers: employing innovative branching concepts; expanding into new markets; placing marginal branches on a more profitable footing and downsizing or closing branches which are unlikely to become profitable. It has resulted in the establishment of specialized service units such as consumer branches and independent business centres; the centralization of back-office activities; and the automation of routine branch functions permitting staff to devote more of their time to customer services. These initiatives are designed to provide customers with the highest quality service and convenience in the most cost-effective manner.

An integral part of our future service network is our aggressive move into electronic banking. Over the past year it has provided the Bank with the dual benefits of improved productivity and a definite competitive edge. We are the runaway leader in automated banking machines in Canada. In 1983, the Bank added another 182 Personal Touch Banking machines, bringing total country-wide installations to 600—some 300 more than our closest competitor and one of the larger networks of its kind in the world. Currently, these machines dispense more than $200 million per month and process transactions at a rate of 48 million per year, with transaction growth well exceeding expectations. We view these machines as an effective way of cutting down teller lineups and extending banking hours. In this respect, they are helping to improve the quality of the service we offer our customers. During 1984, we anticipate further expansion in the Personal Touch Banking network.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Exports account for 30 per cent of Canada's Gross National Product and approximately one in every four jobs in the country. The port of Vancouver, and its Vanterm container facilities shown here, is an important gateway to the Pacific Rim. The Royal Bank plays a leading role in financing Canada's exports and international trade around the world.

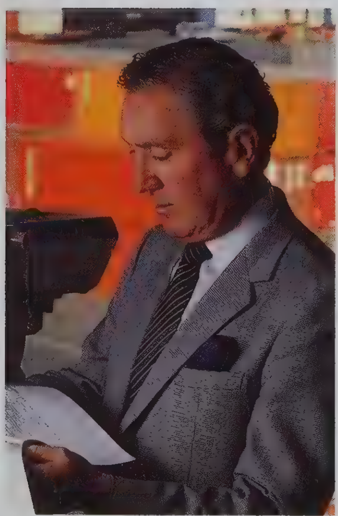
The self-service program was extended in 1983 to include, for the first time, in-branch facilities. In Delta, British Columbia, and Toronto, Ontario, the Bank has provided self-service facilities for customers inside the branches, freeing staff to concentrate more time on meaningful direct customer contact. These branches are being used as "pilots" to test customer response and employee attitudes to the new arrangements.

Another important advance in the Bank's electronic banking program was the creation of an on-line system with immediate balance access for Personal Touch Banking machines from coast to coast. This means a bank customer from Montreal who is visiting Vancouver can insert a coded Client Card into a PTB machine there, have full access to his or her account in Montreal, and have the account balance printed out.

Both security and convenience are integral to the program. Not only do Royal Bank clients have 24-hour access in more locations than clients of any other bank, but the Royal is unique in Canada in allowing each client to select his or her own access code or Personal Identification Number. This is a major contribution to the security and privacy afforded to Royal Bank clients using the system.

A major task, as the Bank moves more fully into electronic banking, is liaison with government as well as potential users —both business and consumer. The Royal

Above: Welders Dennis Higgins and Jim Mitchell look down on 76 acres of container storage and loading facilities at Vanterm. Opposite page: Hugh Burnett, Manager, International Banking in our British Columbia International Centre, is one of the many Royal Bank trade finance specialists positioned in key locations around the world.



is a leading force at the inter-bank level where rules and procedures must be established for electronic transfers between financial institutions.

Our success in moving forward with electronic banking, of course, is predicated upon the understanding and commitment of our staff. As a result, we are placing strong emphasis on an effective communications program about our plans and their implications. Training is also crucial. In one instance, a program of computer-based teaching has been pilot tested to provide the most cost-effective training while utilizing technology in a "user-friendly" way.

Electronic banking has also contributed to productivity and revenue gains with our business and corporate customers and will continue to play an important role. The Royal is already a leader in this field with CashCommand, the integrated program of cash management services used by corporations to optimize cash resources. Other initiatives include: establishment of data transmission capabilities between clients and bank offices via computer-to-computer link; provision of management information systems integrating company and industry financial and sector outlooks; and use of common electronic links for services such as payroll and pre-authorized payments. Our on-line banking systems are also being enhanced to provide the flexibility to add new services.

One of the main strengths of Canada's banking system has been its ability to attract a large base of retail deposits. Our plans to improve our competitive funding concentrate on expansion of this base.

New deposit products tailored to specific market needs have and will continue to be an important tool in improving the Bank's competitive funding position. Our basic approach to client needs is a good example. While other banks launched combination accounts, the Royal has concentrated on a two-account strategy, one account for day-to-day transactions and one for savings. Public response has been favourable as our overall share of the personal deposit market recorded the best gain in recent years.

Competitive funding and quality of assets obviously mean selectivity in growth. As a result, our historical approach to retail banking of being all things to all people is being modified to increase concentration on specialization in certain high growth markets. Work has already been carried out in identifying profitable markets having special importance. The Bank has determined, for example, that its Sixty-Plus clients account for more than a third of its Bonus Savings deposits. Accordingly, special attention is being devoted to the needs of this particular client group.

Deferred income deposits are also an important growth area. The Registered Retirement Savings Plan market continues to expand and the Bank has upgraded its stress on this and other profitable deferred income markets. The result has been a dollar growth rate of 40 per cent in this sector over the past year.

The high-net-worth or ''upscale'' personal market in Canada is another area that received added attention in 1983. Developmental work carried out so far will lead to the introduction of private banking services in the near future. These services will be geared to providing account-management-style personal service to these important clients.

1983 was a milestone in our community relations programs. It marked the 10th anniversary of the Junior Olympics program. In August, in Bridgetown, Nova Scotia, the four millionth young Canadian participated in this program. In 1973, the first year of the program, there were 6,000 participants. Last year 480,000 young Canadians took part in local sports activities sponsored by the Royal Bank.

We also made major strides in modifying our branches to facilitate the access to services of handicapped and disabled clients. Approximately 500 branches have been modified, 200 in the past year. These modifications were made in conjunction with our Personal Touch Banking machine program, permitting wheelchair clients full access to this up-to-date service facility in most locations. In addition we continued to expand our services for the visually-impaired by way of special cheques and cassette tapes.

Above: Personal Touch Banking provides Royal Bank customers with convenient 24-hour access to a number of standard services from cash deposits or withdrawals to paying a Visa statement or transferring funds from one account to another. With 600 of these automated teller machines installed across Canada, the Royal has by far the largest single network in North America. The machines help to free up counter staff at branches across the country so that they can provide more personalized customer service, particularly at larger branches like the one shown opposite located in the Royal Bank Plaza in Toronto.

None of these results can be achieved, of course, without the commitment and cooperation of our staff. They have been performing under increased pressure as a result of further emphasis on productivity, and the steadily increasing service demands of our customers. We take very seriously our responsibility to upgrade staff skills through effective training so that they will be equipped to serve customers better, and to enjoy a fulfilling career. This commitment to human resource development serves as a cornerstone of all the Bank's strategic priorities.

In Retail banking, several new educational programs were introduced to enhance the ability of our line bankers to sell our services and provide high quality service. By year-end, hundreds of branch staff had completed courses covering, for example, cross-selling, customer service and product information. Considerable focus has also been placed upon management, leadership, selling, and servicing skills. During the past two years, 1,100 of our senior managers have attended leadership courses. At the end of 1983, a new course focussing on improving branch managers' selling skills was introduced. Some 200 branch managers are expected to attend this course in 1984.

Managing better in the 1980s will also mean increasing organization segmentation with greater use of specialized roles to develop and manage Retail Banking markets. Agricultural, Commercial and Independent Business centres are examples; so is the hub branch concept. In a hub concept, smaller branches in a market report to a more senior, experienced local manager who has overall geographic responsibility for that area. Hubs are currently in operation in Ontario, Alberta and British Columbia.

Increasing competition in the world of corporate financial services also means the Bank's senior lending and account officers must be thoroughly prepared. The competition is keen, the market is demanding, and the services are more varied than ever. This means the Bank not only has to attract the best people possible, but it must also help them develop as well. A number of programs have been introduced to accomplish this. Subjects include, for example, account development strategy and lending and risk asset management. In 1983, 400 officers attended these programs and another 1,000 are expected to benefit from them in 1984.

It is largely by building the knowledge and skills of our staff at all levels and on a continuing basis that we will maintain our competitive position as Canada's leading bank in the 1980s and beyond.

The bustle of New York's financial district epitomizes the energy of this major financial centre which is also the focal point of the Royal Bank Group's operations in the United States. These include a federally-licensed branch, a wholly-owned state licensed bank, Royal Bank and Trust Company, Orion Royal Inc., an extension of our London-based merchant bank, as well as our area headquarters for the USA. Other operating units are located in nine other key U.S. cities.

The crisis atmosphere that characterized the international debt markets in 1982 abated somewhat in 1983. The combination of lower interest rates, the beginnings of a global recovery, and the co-operative efforts of borrowers, international lending agencies, governments and the international banks, has meant that the situation, while still very serious, is a manageable one. By the end of the first quarter of this fiscal year the outstanding debt of the developing countries had reached US$860 billion of which slightly less than half was owed to commercial banks. Complicating matters, the debt of approximately 30 countries was in the process of being rescheduled—placing increased pressure on the resources of the International Monetary Fund.

Needless to say, our own international staff were faced with similar pressures as they worked to resolve customer difficulties in both the public and private sector.

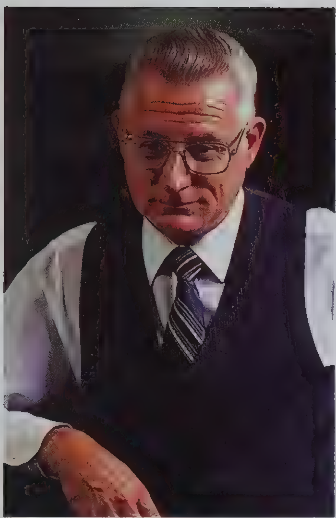
Despite these problems, we continued to see a remarkable degree of effective cooperation between the commercial banks, multilateral lending agencies like the IMF, the central banks, and other governmental lending agencies.

The formation in 1983 of the Institute for International Finance was an important step forward in developing a stronger information base for the commercial banks. The Royal Bank is a founding member of this organization in which our vice-chairman, R.A. Utting, has a significant involvment.

Even in the most difficult cases of sovereign lending, the end result is that those banks which made loans for what they expected would be seven or eight years, may now be facing a much longer wait before an individual loan is repaid. This is not catastrophic. The reschedulings are being devised, both for countries and for corporations, in the full expectation the problem will be resolved in the long run.

Clearly, some lessons have been learned in portfolio management. Further improving this function is an important element in assuring the quality of our assets—the first of the six strategic priorities mentioned earlier. This has led, for

Above: Donna Segal, senior corporate services representative in our Foreign Exchange and Money Market operation in New York provides an important link between corporate customers and the interbank market. The Royal has also added such representatives to its Foreign Exchange and Money Market operations in Toronto, London and Paris. Opposite: Doug Grainger, Manager Trading, USA, heads a Foreign Exchange and Money Market operation that ranks with New York's leading money centre banks in most of the key currencies.



example, to refining our geographic and industry asset-mix targets, and developing much more highly-focussed country and industry strategies.

There is a danger that the current decline in our asset growth will be interpreted as a reluctance to seek out lending business. This is not the case, though it is true that we have become more selective. More stringent risk and return criteria are now being applied to all credit decisions.

Improving the Bank's competitive funding capability has been identified as another priority. Our ability to compete effectively at the top end of the market for high quality assets is very sensitive to any funding advantage we can develop.

The new Treasury and Money Market Division is responsible for developing and implementing funding strategies to achieve the best mix at any time. It is a strategic objective of the Bank to broaden the funding base, and in particular to balance the proportion of deposits from private and public sector depositors with that derived from the interbank market and other money-market funding sources.

Building business through selective growth, the third priority, involves choosing, in a disciplined way, which aspects of our business to emphasize.

Given the prospect of constrained growth in revenues from lending business, considerably more emphasis is being placed on fee-based business. The acquisition in 1981 of Orion Bank (now Orion Royal Bank) reflected this strategy. In addition, we will continue to build on our recognized service strengths, particularly in foreign exchange and trade financing.

Among the steps toward improving productivity—the fourth strategic priority—is the integration, rationalization and consolidation of our representation network around the world. While network expansion has by no means halted—for example, we opened a full-service branch in Taiwan during the year—our concentration is now upon enhancing the operational efficiency and communications linkage within the network we have built. We are now very well represented internationally and so can turn our attention to making the network function even more effectively.

In the short term, expansion will be by way of broader delivery of new and existing products through the network; by redeployment of some units; and by selective acquisitions as opportunities arise.

The fifth strategic priority is to move decisively in building our competitive edge in electronic banking.

Internationally, a major priority over the next several years is to fine-tune our international electronic payments transfer system and to continue upgrading our overall systems and communications capability. These steps include the improvement of our cash management capability—a critical element in our ability to strengthen our relationships with multinational corporate clients. This will build upon our well-recognized leadership position in cash management in Canada.

The formation of RBC Systems in London during the year represents one of a number of initatives that will enable us to obtain information on all aspects of our business faster and on a more timely basis. This is critical to the development of new and better services aimed particularly at the multinational, corporate, and correspondent banking markets.

The sixth and final strategic priority deals with the continuing need to stress management training and development. The intensely competitive nature of international banking and, in fact, the rapidly changing nature of the business, demand continued special attention to the development of our people. During the past year, more courses, seminars and other training programs related to international banking were held than ever before in the Bank's history.

International Banking

Few of the major industrial nations have a greater stake than Canada in global economic recovery and the revival of world trade. Almost 30 per cent of our Gross National Product is related to export trade, which also accounts for about one in four jobs in the country.

Trade finance continues to be a high priority in the Royal Bank and we continue to build on our leadership position as the exporter's bank. In addition, we have made it a priority to augment traditional services at both ends of the trade transaction.

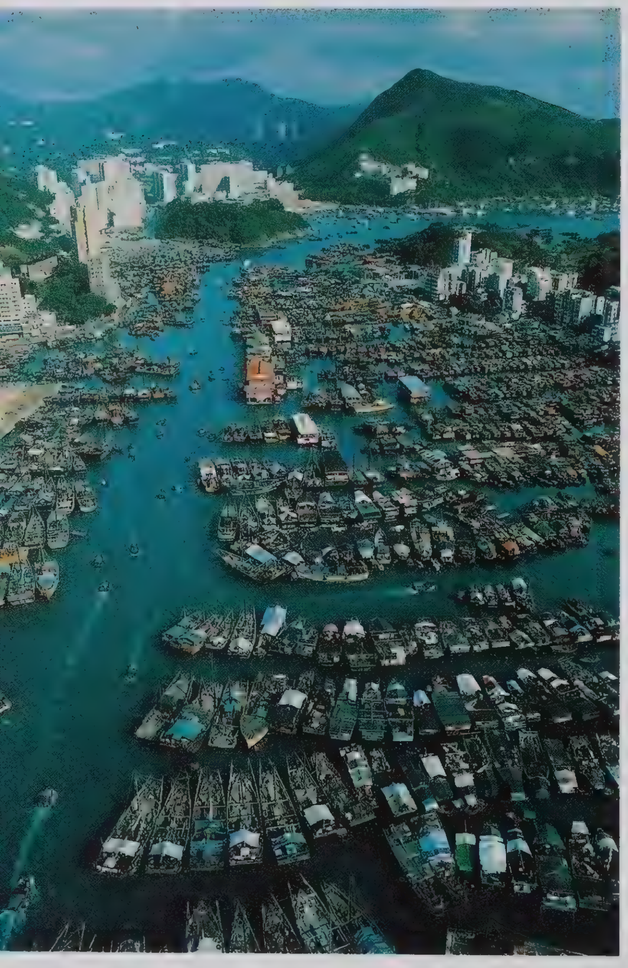

Excelsior

A city of lights, Hong Kong has built its prosperity through confidence, versatility and hard work. The Royal Bank has participated in the growth of the city since 1958 when we became the first Canadian bank to open there. It is from Hong Kong that we coordinate the operations of the Royal Bank group in the dynamic Asia Pacific market. These include commercial banking branches, representative offices, merchant banking units and other financial services subsidiaries in nine countries within the Asia Pacific area.

At the Canadian end, for example, we have established trade finance representatives in key cities in addition to our seven international banking centres across Canada. We have also seen good growth in acceptance of a number of relatively new products ranging from à forfait financing and the purchase of foreign receivables to credit-insured export financing packages, this last introduced during 1983. During the year we increased the number of credit lines established with various foreign export agencies bringing the number to 11. These credit lines provide valuable assistance to Canadian importers. During the course of the year we also established a commodities and counter-trade group.

The Bank has also done much to strengthen its trade promotion services through which an extensive international network and commercial and market intelligence systems contribute to the competitiveness of Canadian exporters. The Royal has developed an information system designed to match Canadian suppliers and foreign buyers; is tracking international capital projects; and is offering "how to" seminars to Canadian exporters from coast to coast along with informational publications.

We have also strengthened our capabilities at the foreign end of the trade transaction. Specialized trade finance managers head teams located in Europe, Asia, Latin America and the U.S.A. They are concerned with the development of trade-related business abroad as well as in Canada, and are actively pursuing co-financing opportunities with the World Bank and other multilateral development banks.



Above: Transportation in Hong Kong takes many forms with the city's sampans the workhorses on water. Opposite: Alan Bowbyes, chief executive of Orion Royal Pacific, surfaces on a busy Hong Kong street from one of the stations of the Mass Transit Railway Corporation. The first stage of the system became operational in 1980. It has made solid progress since and it presently carries an estimated 1.2 million people every day on its 26 kilometres of track. Orion co-managed a HK$900 million syndicated loan and lead managed a HK$1,000 million financing for this important client.

Correspondent Banking

Our position as Canada's largest bank and our strong international network both play an important role in the magnitude and quality of our correspondent banking relationships. These relationships number more than 5,000 in over 100 countries. Our competitive advantage as Canada's leading bank has enabled us to strengthen our relationships in our traditional markets and to take advantage of opportunities developing in other areas.

In addition, a total of 58 foreign banks have now established subsidiary banking operations in Canada. We act as the clearing bank for more than a third of them.

Retail, Private and Commercial Banking

Our strategy in the international retail market remained unchanged in 1983. We have a major market presence in the Caribbean where the emphasis is on productivity improvements rather than on physical growth. These productivity improvements are being achieved by applying the very considerable knowledge and experience we have gained in product development and marketing in the domestic retail sector and, where appropriate, applying this off-shore.

Our retail presence in the United Kingdom is provided through a wholly-owned subsidiary, Western Trust & Savings, which operates 29 branches. In 1983 this unit broadened its product line, which includes a highly successful postal banking service, by entering the residential mortgage market in the U.K.

Our international business also includes a private banking capability which is geared to the particular needs of what the market refers to as "high-net-worth" individuals. In 1983, we expanded our capability in this growing market, establishing specialists in key field locations.

Earlier in the year, our Guernsey unit launched a series of international currency funds which were enthusiastically received by eligible investors. These funds complement three highly successful international bond and equity funds.

Our commercial market is concentrated in the United States, where the focus is principally through a number of agencies, branches and representative offices located in key cities throughout the U.S.A. and through our wholly-owned New York subsidiary, Royal Bank and Trust Company; in Western Europe, principally Germany, where the market is serviced through our subsidiary, The Royal Bank of Canada AG; and in Latin America and the Caribbean where we operate through our extensive network.

We continued in 1983 to focus on providing a selective range of services to "high potential" customer companies in the three geographic areas mentioned and particularly those with international operations or a strong import/export base.

Corporate Banking

The Royal's approach to corporate banking was redefined in 1983 to further tailor our services to the highly-specialized needs of our large corporate and multinational clients. One result was the creation, as part of the organizational realignment introduced in June, of the World Corporate Banking Division within the International and Corporate Banking Group. This division is responsible for approximately 650 corporate relationships world-wide.

This is a very competitive market which includes highly sophisticated customers who represent an important source of quality assets and are actively sought after by other world-scale banks. This competition became increasingly evident in 1983 as interest rates declined and corporations tended to re-build their balance sheets, often reducing their short-term bank debt and refinancing it with equity or by tapping into the domestic and international debt markets.

The move to the long-term debt and equity markets by large numbers of corporate borrowers left many bankers facing the prospect of narrower spreads and reduced asset growth. In turn, this led to increased emphasis on fee-based services, including merchant banking.

Merchant Banking

The blurring of lines in the financial services industry continued in 1983 not only in the United States where it is accelerating, but also in such other well-developed financial markets as the United Kingdom. Continuation of this trend will likely have a significant impact on all major financial-service institutions, not only internationally but in Canada as well. For some it will open up new markets but, at the same time, it will intensify competition in traditional sectors.

The Bank, through the acquisition in 1981 of London-based Orion Royal Bank and its sister company in Hong Kong, Orion Royal Pacific, significantly strengthened its ability to provide investment and banking services to clients on a global basis. This capability has resulted in the Royal being particularly well positioned today to broaden its market penetration as the pace of change quickens.

Syndicated lending, a high profile side of merchant banking, played a less prominent role in 1983 than it had in previous years. This overall market trend was consistent with the Bank's strategy to book business, meeting a redefined risk/return ratio.

Orion Royal Bank had its most successful year ever in terms of the number of Eurobond issues it led. It acted as lead or co-lead manager in six of the eight Australian Eurobond issues this year and was co-lead manager for the US$500 million Government of Canada issue. The Bank also successfully led a multiple-tranche issue of up to US$175 million notes for the Austrian export financing agency. This was the third U.S. dollar multiple-tranche issue for the agency since the successful introduction of this innovative concept to the international capital market by Orion and the agency in 1977.

Our Hong Kong-based merchant banking subsidiary, Orion Royal Pacific Limited, continued to expand in the growing Asia Pacific market, coordinating three major Asian "jumbo" loans to borrowers in Korea, Malaysia and Indonesia.

In Canada, our former affiliate RoyMark Financial Services, was converted into a wholly-owned subsidiary, Royal Bank Venture Capital, strengthening the access of our Canadian-based customers to development financing and other merchant banking products offered through the Bank domestically.

Our merchant banking network was also expanded at the year-end with the addition, in New York, of Orion Royal Inc. The U.S.A. is a key market for the Royal Bank and the addition of Orion Royal Inc. to the merchant banking group strengthens our position in the highly competitive corporate sector where, increasingly, clients require both commercial and merchant banking services. The network now includes units in London, Hong Kong, New York, Toronto, Geneva and the Channel Islands.

"State of the art" open line communications link various foreign exchange trading desks within the Royal Bank network. Shown here are some of the traders in the Frankfurt office of The Royal Bank of Canada A.G. which is the new name for our wholly-owned subsidiary, Burgardt und Nottebohm Bank A.G. To assist traders in their specialties, a highly sophisticated computerized "dealer aid" system was introduced this year in Toronto. Similar systems will be installed in New York and London next year.

Special Loans

The ravages of the recession clearly wrought severe damage among many customer companies, in Canada and abroad. Corporate customers in increasing numbers developed loan repayment problems.

It is standard practice for Canadian bankers to "work out" problem loans with clients in the independent business sector. And just as teams of international bankers work with government representatives and multilateral agency staff to renegotiate sovereign loans, so too the Canadian banks send in teams of specialists dedicated to the survival of Canada's larger companies. These "big-loan" specialists are positioned within our Special Loans Group which is headed by B.D. Gregson, executive vice-president.

When it becomes clear that a company is developing financial problems—hopefully long before they reach a crisis point—we put our specialists face to face with company management. We move fast, because speed is essential to give the client the best chance of survival. Our work may involve a rescheduling, just as in an international loan—pushing principal and sometimes interest payments out into the future. More fundamental, however, is the way the Royal's team acts as financial consultants to the company.

There may be financial restructuring involving the conversion of debt into equity, or selling off company assets or the assets of subsidiaries. It can also mean the Bank will authorize further loans so that a company can "drill its way out of distress". In some cases the new loans may be used to pay unsecured creditors to give a company the chance to work its way out of a receivership situation.

Working together, the Bank and the company's management may even come up with a substantial restructuring not only of company debt but also company operations, nationally or internationally, as the case requires.

We can't change the price of oil—or the market for lumber, for that matter—but otherwise the only limit on our ingenuity is the basic viability of a company's operations in its given marketplace. The efforts of this Special Loans Group in 1983 resulted in a remarkable turn-around for a number of our corporate customers.

Financial Review

Contents:

In this section of our Annual Report, we provide detailed discussion and analysis of the Bank's financial performance in the broader context of the recession from which we are now emerging.

For analytical purposes, we segment our operations into Domestic and International. Our Domestic Operations represent the foundation upon which the Bank has been built. At present we operate 1,456 branches coast-to-coast, offering a wide range of services. Domestic Operations include all business transacted in Canada, regardless of currency, with the exception of the Canadian-based activities of International Money Markets. That unit, together with the Bank's business carried on outside Canada, comprises International Operations. International Operations include one third of our assets and over 280 business units in 47 countries, making the Royal truly a world-scale bank.

In this segregation of Domestic and International results, appropriate allocations have been made for corporate non-interest expenses and the cost of funds related to liquidity and capital. In 1983 our method for valuing the capital allocation between Domestic and International Operations was amended and the data for prior periods has been restated to reflect this change.

Overview of 1983 Results

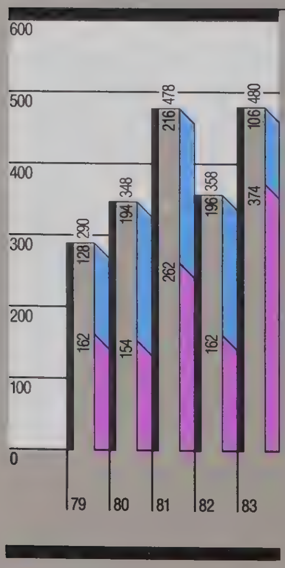
The Royal Bank's profitability showed improvement in 1983, after being severely depressed during 1982. Major factors in the improvement included: a lower and more stable interest rate environment which resulted in wider margins, particularly on our fixed rate lending business in Canada; a favourable shift in the mix of our deposit liabilities; excellent performance in fee income; and stringent control of operating expenses.

The Royal Bank earned $480.0 million in 1983, 34.2% higher than the $357.6 million earned in 1982. Basic income per share was $5.03, 30.0% higher than the $3.87 in 1982. (Growth of income per share is somewhat lower than that of net income due to the issuance of new stock in 1983.) Earnings per share on a fully diluted basis, which takes into account common shares that would be issued upon exercise of the convertibility feature of certain debentures and preferred shares, was $4.58, up from last year's $3.68.

The Bank's return on average total assets (ROA), a key indicator of profitability, was 0.55% in 1983, sharply higher than the 0.40% earned in 1982. Our return on average common shareholders' equity (ROE) was 16.8% for fiscal 1983, up from 12.7% in 1982. Over the past five years, our ROE has averaged 17.0%. While Bank management is pleased with the improvement in 1983, we have yet to return to acceptable levels of profitability and internal capital generation.

Chart 1

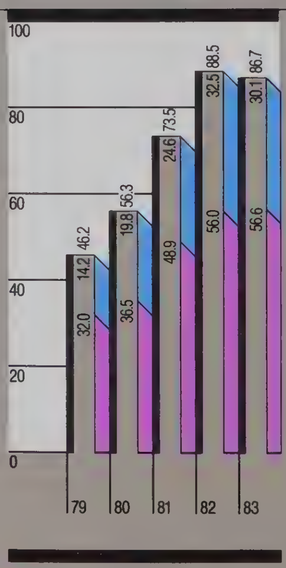
Net Income
($ Millions)



International
Domestic

Chart 2

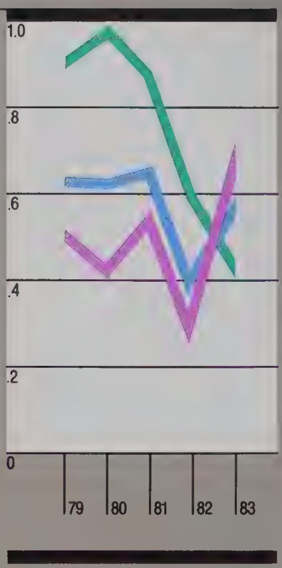
Average Total Assets
($ Billions)



International
Domestic

Chart 3

Return on Assets
(% of Average Assets)



International
Domestic
Total Bank

On October 31, 1983 the Bank's total assets were $84.7 billion, down 4.3% from the previous year-end, marking the first annual contraction of our asset base in over 20 years. This reflects the impact of the recent recession, both in Canada and abroad, and its effect upon the global demand for credit. Clients' inventories have been cut and capital spending has been reduced, lowering borrowing requirements substantially. Additionally during 1983, there was a resurgence in the capital markets and our clients often used the proceeds of security issues to reduce bank debt. While we have seen some improvement in the demand for consumer credit during the last few months, it seems likely that the high annual asset growth rates of the late seventies and early eighties will not recur.

The Bank's financial leverage, as measured by the ratio of assets to capital, was improved very significantly during the year. Total capital funds, including bank debentures, at October 31, 1983 were $4.4 billion, an increase of $414 million over the prior year. A discussion of capital is included on pages 47 to 49 of this report.

Domestic Performance

During 1983, the earnings of the Domestic Operations of the Bank rebounded from the depressed levels of 1982. In response to the stable, lower level of interest rates and a variety of management initiatives, Domestic net income rose to $373.7 million in 1983, over twice the $162.3 million earned in 1982. Domestic return on assets rose from 0.29% in fiscal 1982 to 0.66% in 1983, a level not attained since 1978.

A number of favourable developments combined to boost Domestic profitability last year. First, margins were sharply higher. In particular, good spreads were earned on our fixed rate loan portfolio which consists principally of consumer instalment loans and mortgages. Chart 6 compares the yield on this portfolio with the average cost of personal term deposits. As is evident, the decline in the yield on this portfolio was much more modest than the decline in the cost of personal term deposit liabilities and as a result spreads widened. This improvement was especially welcome since, as demonstrated in Chart 6, our fixed-rate portfolio has adversely affected Domestic profitability for several years.

A favourable shift in our deposit mix shown in Chart 8 also contributed to the higher level of Domestic earnings, as good growth in the level of consumer deposits replaced more expensive non-personal term deposits. The widespread decline in the demand for loans — with a consequent reduction in the Bank's funding needs — led to a sharp reduction in the volume of wholesale non-personal term deposits held by the banking system as a

Table 1

Highlights of Domestic Earnings as a Per Cent of Average Assets	1983	1982
Net Interest Income (taxable equivalent basis)	3.41%	2.67%
Provision for Loan Losses	.55	.46
	2.86	2.21
Other Income	.86	.71
	3.72	2.92
Non-Interest Expenses	2.44	2.33
	1.28	.59
Income Taxes—Including Taxable Equivalent Adjustment	.62	.30
Return on Assets	.66%	.29%
Average Total Assets ($ Billions)	$56.6	$56.0

whole. This meant that the few funds raised in this market were relatively inexpensive. Finally, the Bank was able to take advantage of conditions in the equity markets to realize capital gains on the disposition of certain of its investment securities.

The quality of our Domestic loan portfolio, which will be dealt with in more detail later in this report, remains of concern to management. Liquidity problems continued during 1983 for many of our clients hardest hit by the recession. As a result, in many cases clients were unable to meet their interest or principal payment obligations. Domestic non-performing loans, net of specific provisions, increased considerably during 1983 to $1.6 billion at year-end, up from $1.3 billion in 1982. Domestic loan loss experience, accordingly, continued to be high by historical standards. At $453.9 million, however, it was down from $530.0 million in 1982. Our Domestic loan loss provision, the charge to income based on the five-year averaging formula prescribed by the Bank Act, was $309.5 million in 1983, 20.0% higher than in 1982.

Other Income in Domestic Operations rose substantially in 1983. Increased transaction levels together with price increases on selected services were the principal reasons for this improvement.

Successful management of non-interest expenses was also a major positive factor in 1983's Domestic performance, as these expenses rose by only 6.1% over 1982, well below the 20.0% growth rate of the prior year. Our rationalization program and streamlining process continues, having already resulted in significant savings.

International Performance

International earnings were $106.3 million in 1983, 45.6% lower than in fiscal 1982 and the poorest performance by International in many years. Return on assets fell to .35%, down from .60% in 1982.

The major problem affecting International Operations last year was the unprecedented level of non-performing loans. While interest rates paid for deposits to fund these loans declined, the dollar balances rose over 50% to reach $1.2 billion at October 31, 1983. In addition, despite the fact that interest rates were low and relatively stable for most of the year, there were occasions where funding costs lagged the declines in the U.S. prime rate, thereby narrowing margins on that portion of our business.

During the year, International profitability was also reduced by non tax-deductible unrealized foreign exchange translation losses of $18.2 million on unhedgeable equity investments in subsidiaries and associated corporations. This amount, which does not represent an operating loss, was nonetheless charged against income in accordance with Bank Act accounting regulations.

Table 2

Highlights of International Earnings as a Per Cent of Average Assets	1983	1982
Net Interest Income (taxable equivalent basis)	1.65%	1.85%
Provision for Loan Losses	.47	.26
	1.18	1.59
Other Income	.59	.57
	1.77	2.16
Non-Interest Expenses	1.19	1.13
	.58	1.03
Income Taxes—Including Taxable Equivalent Adjustment	.23	.43
Return on Assets	.35%	.60%
Average Total Assets ($ Billions)	$30.1	$32.5

The loan loss experience for International Operations was $317.8 million in 1983, more than double the level in 1982. The charge to income derived from the five-year averaging formula amounted to $142.5 million, $56.5 million higher than in the prior year.

Other income from International Operations amounted to $178.3 million in 1983, down 3.2% from 1982. This reduction was attributable primarily to lower loan fees and the effects of foreign exchange translation revenues on our total foreign exchange income. The much-publicized sovereign loan rescheduling process did not give rise to any significant fees in 1983. Such fees, which by Bank policy are amortized over the related loan term, are expected to increase in 1984.

On a more favourable note, as a result of management initiatives, International non-interest expenses were slightly lower in fiscal 1983 compared with 1982. Considerable streamlining took place during the year which, together with further cost management initiatives planned for 1984, are expected to benefit the Bank for years to come.

After a number of years of rapid International asset growth for the Royal, we witnessed a decline in balances in 1983. International average assets during the year were $30.1 billion, 7.6% lower than in 1982. This contraction resulted from a reduced demand for credit and a lower redeposit ratio, the latter made possible by the more stable banking environment. Given market conditions, we do not anticipate significant growth in International assets over the short term. However, in order to improve earnings, we will continue to direct our efforts into the development of fee-based income sources.

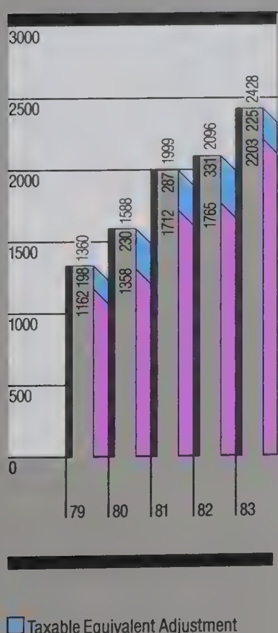
Net Interest Income

Net interest income is the difference between what we earn on loans and securities and what we pay for deposits and debentures. For analytical purposes, we adjust this figure to take into account the tax-exempt status in Canada of certain securities such as term preferred shares, income debentures and small business bonds. We call this adjusted figure "taxable equivalent net interest income".

Taxable equivalent net interest income amounted to $2,427.6 million for the Royal in 1983, up $331.2 million, or 15.8%, from 1982. Two key factors affect the growth in this component of our earnings. The first is the net interest margin, the percentage rate we earn on our assets after covering the cost of deposits. Of equal importance is the rate of growth in average earning assets. These factors are broken out in considerable detail in Table 3, which presents an average balance sheet for the Bank for each of the last three years and the respective yields and costs of individual asset and liability components.

Chart 4

Net Interest Income
($ Millions)



Net interest income expressed as a percentage of average assets, or net interest margin, was 2.80% in 1983, up sharply from the 2.37% earned in 1982. The improvement in the Domestic margin, from 2.67% in 1982 to 3.41% in 1983, accounted for all of the increase in the Bank's margin. The International margin fell by 20 basis points to 1.65% in 1983.

Domestic margins widened from the severely depressed level of 1982 due to two main factors. First, interest rates remained steady at a much lower level in 1983 than in 1982, leading to the first positive annual spread in some time on the fixed rate portion of our loan portfolio. As shown in Chart 7, the sharp reduction in credit demand led to a strengthening of the Bank's funding spread during the year. Indeed, reduced dependence on non-personal term deposits enabled the banking industry as a whole to hold the cost of these deposit instruments to more acceptable levels. This also occurred to a lesser extent with respect to consumer deposits, as reduced demand for funds led to lower deposit rates on savings accounts. The second factor favourable to our Domestic margin was a shift in the mix of deposits. The proportion of high cost deposits fell from 52.9% of our domestic funding base at the start of 1982 to 43.4% by the end of 1983. This, again, resulted principally from weak demand for credit in 1983, but was also a function of the lower level of interest rates throughout the year which reduced the advan-

Chart 5

Net Interest Margin
(% of Average Assets)

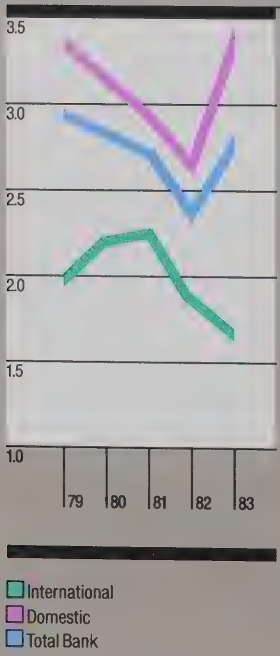
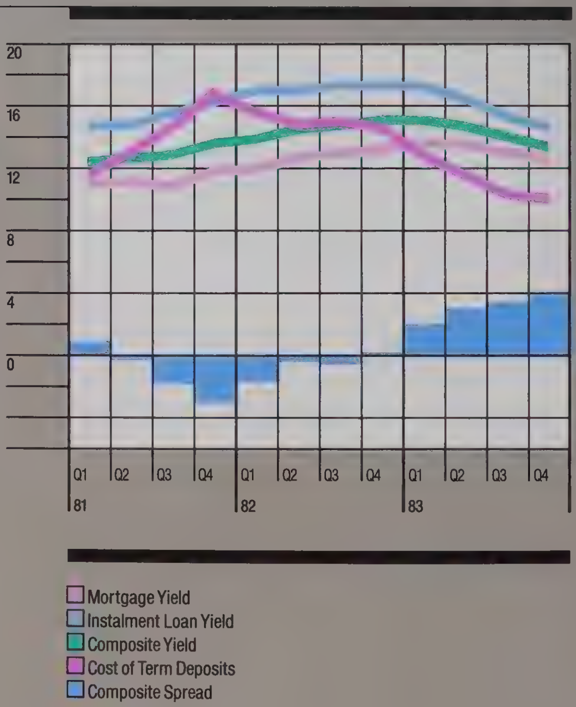


Chart 6

Fixed Rate Lending Portfolio Yield
Versus Portfolio Cost of Personal Term Deposits
(including Reserve Costs)
(Per Cent)



tage to consumers of switching their savings to higher yielding deposit accounts.

On the negative side, further growth in Domestic net interest income was hampered by sharply higher levels of non-performing loans in 1983. This subject is discussed in more detail in the section on "Non-Performing Loans and Loan Losses" on page 41.

International margins in 1983 were, as mentioned earlier, some 20 basis points lower than last year. The difficult international banking environment which prevailed throughout all of 1983 was reflected in a particularly rapid increase in the levels of International non-performing loans, concentrated in the U.S.A. and in Latin America. In addition, spreads in the international marketplace contracted during the year, putting further pressure on profitability. The Bank, wherever possible, increased margins on new business, avoided taking on low yielding assets and re-evaluated its international liquidity position. Because of the stability of interest rates and the low demand for credit in 1983, the necessity for high levels of international liquidity moderated somewhat. Accordingly, the Bank, while still maintaining a very conservative posture, was able to reduce its redeposit levels.

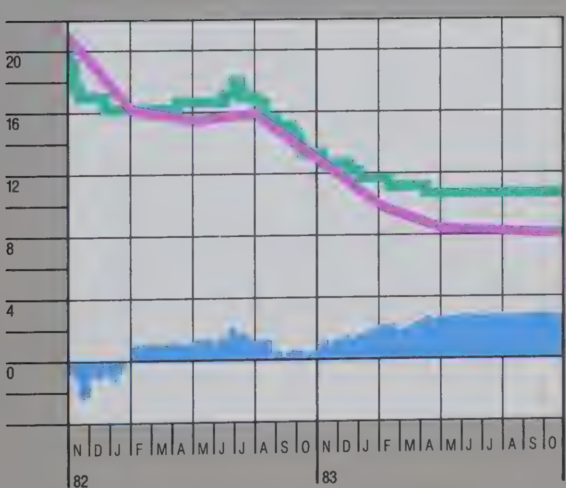
Several other noteworthy, but largely offsetting, items were also included in net interest income in the past year. Under the accounting regulations of the Bank Act, gains or losses on the sale of equity securities are recorded as income in the year they occur. However, gains or losses realized on debt securities are amortized over a five-year period. In 1983, amortization of losses on bond disposals amounted to $21.7 million but were more than offset by net gains on the sale of equity securities of $48.8 million.

International net interest income was reduced by non-tax-deductible unrealized foreign exchange translation losses. These translation losses occurred on unhedgeable equity investments in certain foreign operating units and lowered net interest income by approximately $16 million in 1983.

Finally, on a positive note, in 1983 the Royal Bank received a very modest amount of back interest on non-performing loans relating to prior years. We have started to see a trend in this regard and are optimistic that it will gain momentum in the quarters to come.

Chart 7

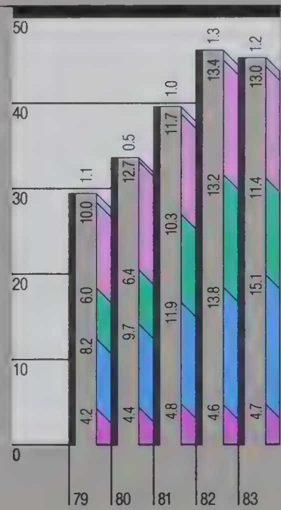
Prime Rate versus Portfolio Cost of Large Canadian Dollar Term Deposits (including Reserve Costs) (Per Cent)



Prime Rate
Cost of Large Canadian Dollar Term Deposits
Funding Spread (Difference Between Prime Rate and Cost of Deposits)

Chart 8

Composition of Domestic Deposits ($ Billions)



Government of Canada
Personal Term Deposits
Non-Personal Term Deposits
Savings Deposits
Demand Deposits

Table 3

	Net Interest Income on Average Assets and Liabilities ($ Millions)	1983			1982			1981		
		Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets	**Earning Assets**									
	Deposits with other banks	$12,126	$1,138	9.38%	$13,765	$ 1,860	13.51%	$11,794	$ 1,739	14.74%
	Securities—									
	Issued or guaranteed by Canada, provinces and municipal or school corporations	2,673	302	11.30	2,236	316	14.13	2,613	386	14.77
	Other	4,551	587	12.90	4,590	805	17.54	4,008	677	16.89
		7,224	889	12.31	6,826	1,121	16.42	6,621	1,063	16.05
	Loans—									
	Mortgages	7,806	1,013	12.98	7,288	921	12.64	7,559	927	12.26
	Instalment loans	4,396	701	15.95	4,636	812	17.52	4,252	655	15.40
	Other loans in Canadian currency	23,613	2,781	11.78	25,223	4,225	16.75	20,877	3,945	18.90
	Other loans in foreign currencies	22,642	2,585	11.42	22,330	3,478	15.58	16,072	2,708	16.85
		58,457	7,080	12.11	59,477	9,436	15.86	48,760	8,235	16.89
	Total Earning Assets	77,807	9,107	11.70	80,068	12,417	15.51	67,175	11,037	16.43
	Other Assets	8,886			8,464			6,313		
	Total Assets	$86,693	$9,107	10.50%	$88,532	$12,417	14.03%	$73,488	$11,037	15.02%
Liabilities	**Interest-Bearing Liabilities**									
	Deposits—									
	Demand deposits	$ 6,028	$ 154	2.55%	$ 5,973	$ 253	4.24%	$ 5,778	$ 229	3.96%
	Deposits by banks	19,605	1,984	10.12	21,306	2,976	13.97	16,348	2,518	15.40
	Term deposits in Canadian currency	16,872	1,725	10.22	19,486	2,916	14.96	16,759	2,501	14.92
	Other deposits in Canadian currency	15,479	1,025	6.62	13,421	1,555	11.59	11,896	1,541	12.95
	Term deposits in foreign currencies	15,950	1,542	9.67	16,437	2,346	14.27	12,928	2,037	15.76
	Other deposits in foreign currencies	2,304	83	3.60	1,920	105	5.47	2,889	126	4.36
		76,238	6,513	8.54	78,543	10,151	12.92	66,598	8,952	13.44
	Liabilities of subsidiaries other than deposits	340	39	11.47	312	40	12.82	163	15	9.20
	Bank debentures	1,121	127	11.33	1,054	129	12.24	657	72	10.96
	Total interest-bearing liabilities	77,699	6,679	8.60	79,909	10,320	12.91	67,418	9,039	13.41
	Other Liabilities	5,923			5,745			3,601		
	Capital and Reserves	3,071			2,878			2,469		
	Total Liabilities	$86,693	$6,679	7.70%	$88,532	$10,320	11.66%	$73,488	$ 9,039	12.30%
	Total Assets/ Net Interest Income	$86,693	$2,428	2.80%	$88,532	$ 2,097	2.37%	$73,488	$ 1,998	2.72%

Average Balance Sheet

The Royal Bank's average balance sheet is set out in Table 3 with accompanying yields and costs. It discloses the principal determinants of the Bank's net interest income: our mix of assets and liabilities and the rates we earned on and paid for them, respectively.

Average assets declined 2.1% during 1983, reflecting the soft credit demand caused by the recent recession. While mortgages and foreign currency loans were up over 1982, these increases were more than offset by declines in other categories.

On the liability side, the largest declines were in the inter-bank and high cost Canadian dollar term deposit categories. The lowest cost category, other deposits in Canadian currency, actually increased over 1982. The shift in the mix of our deposits, as mentioned earlier, was one of the major contributing factors to our improved margins in 1983.

The other factors which determine the level of our net interest income are the relative yields and costs attached to our assets and liabilities. While the movement of these rates is determined principally by changes in the prime rate and the maturity structure the Bank maintains in each category, the marketplace also plays a significant role through the impact the relative demand for various instruments has on their pricing.

In total, our liability costs fell by 396 basis points in 1983, while our overall asset yields declined by only 353 basis points. This difference generated the 43 basis point improvement in our overall net interest margin.

Interest Rate Risk

Interest rate sensitivity is defined as the rapidity with which average yields on earning assets and average rates paid on interest-bearing liabilities respond to changes in prevailing rates of interest. Interest-rate risk is introduced when assets and the liabilities used to fund them have different sensitivity characteristics and, as a consequence, do not respond to interest rate changes concurrently. Interest-rate sensitivity characteristics are sometimes referred to as "repricing schedules" because a key factor is the rate term, or timing of the next opportunity to adjust the nominal interest rate to new market rate levels.

When prevailing rates of interest are falling, and liabilities are more interest-sensitive than assets — for example, when a mortgage portfolio (relatively interest-rate *in*-sensitive) is funded by short-term deposits (relatively *more* sensitive) — the net interest rate differential (spread) will be enhanced for a period of time. This effect will continue until the mortgage repricing date is reached or interest rates on funding deposits reverse course.

When prevailing rates of interest increase, the opposite occurs: the net interest rate differential is compressed — spread is squeezed.

If the situation is one in which assets, such as prime rate loans, are more interest-rate sensitive than liabilities, the result is the reverse of the situation described above, that is, reductions in interest rates compress spread, while increases widen it, in both cases temporarily.

As interest rate movements have been particularly volatile and unpredictable over the past several years, the management of repricing schedules of loans and deposits has become a highly important determinant of bank profitability. To the extent that the repricing profiles of loans and deposits are matched, the exposure of net interest income to interest rate risk is reduced. A fully-matched position, while eliminating interest rate risk, also limits profit potential. Opportunities for enhanced returns arising from mismatched positions and favourable interest rate movements are constantly weighed against the costs that could arise from unfavourable interest rate changes. Interest rate sensitivity positions (commonly called "Gaps") are created, or tolerated, and changed by management to enhance profitability, to respect liquidity policy guidelines governing expected net cash outflows or, at times, to meet fixed-rate lending competition.

The interest rate sensitivity of asset and liability portfolios is monitored continually by the Treasury and Money Markets Division. The management of international interest rate sensitivity and liquidity positions world-wide, in currencies other than Canadian, is a specific responsibility of International Money Markets. International Treasury activities are conducted through units based in major financial centres around the world, coordinated and controlled from Toronto.

In International Operations, the Bank closely manages the projected net cash flows to control the adequacy of liquidity in all major market areas. Liquidity adequacy considerations at the margin take priority over interest rate exposure factors and, as a result, sometimes gap positions of modest size do result. However, interest rate gaps caused by liquidity considerations in the Bank's foreign currency business typically are not significant.

Liquidity Management

The primary concern of liquidity management is the continuing ability to meet deposit withdrawals and borrowing maturities, and to satisfy customer requirements for credit services on a world-wide basis and in a timely manner.

Liquidity is maintained through close co-ordination of asset and liability management techniques in Canada and in all major overseas markets and foreign currencies. Major elements of the Bank's overall liquidity management capabilities are: a highly diversified deposit base in Canadian funds and in major foreign currencies; closely managed maturity structures of loans and deposits; policy limits which govern the maximum net outflow of funds which would occur in the near future; access to liquid asset resources and committed credit lines.

In Canada, the Bank currently maintains $1.0 billion of primary reserves including cash and deposits with the Bank of Canada, and over $1.3 billion of secondary reserves invested in short-term Government of Canada securities as required by law. In addition to these statutory liquidity reserves, the Bank, under established internal policies, maintains supplementary reserves in the form of very liquid assets which amounted to $1.0 billion at October 31, 1983. The Bank also has access to the Bank of Canada which functions as lender of last resort to the domestic banking system. Though available primarily for ultimate liquidity, Central Bank credit facilities are also occasionally utilized by individual banks for cash reserve adjustments on the last day of reserve averaging periods to alleviate shortfalls that can result from unforeseen clearings swings between banks. At year-end the Bank in fact utilized its line of credit at the Bank of Canada for this purpose.

Internationally, the cornerstones of liquidity management are: diversification of world-wide funding sources; close control of term-to-maturity profiles of loan and deposit liability portfolios; policy limits governing net cash outflow and supplementary reserves of very liquid foreign assets. As a major participant in the Euro-dollar markets, the Bank also has access to deposits from other large international banks.

In the year just ended, relatively more stable interest rate levels, combined with generally weak credit demand globally, contributed to somewhat greater stability in international capital markets. However, the widely publicized debt service problems of a number of countries carried the potential for future shocks and short-term disruption of these markets.

The Bank continues to follow prudent liquidity management policies. Domestically, this is reflected in above average levels of supplementary liquidity reserves. Internationally, redeposits as a percentage of foreign currency assets was 27.2% or $10.3 billion at October 31, 1983 which is conservative when compared to practices of some other major Canadian banks.

Coordination of liquidity management at the total Bank level has been strengthened through the recent reorganization of the Domestic Treasury and International Money Market groups.

Other Income

Other income amounted to $667.0 million in 1983, 14.4% higher than in 1982, notwithstanding the decline in the Bank's assets.

Non-interest income represents an extremely important source of revenue to the Bank and, historically, an area of some strength for us. With the recent slowdown in asset growth likely to continue for some time, it has become an even more vital component in maintaining the growth of our earnings. Further expansion in this area will come from two directions. First, the Bank is strengthening its already considerable presence in traditional fee-generating lines of business, such as merchant banking. Second, our industry generally has been moving towards more equitable pricing policies whereby users bear the actual cost of providing a service. In the past, spreading the cost of a service over a larger base of customers has often meant that one group has had to bear a disproportionate share of the load relative to the benefits they received.

Service charges in total amounted to $185.0 million, up 15.3% from 1982, due to both increased transaction volumes and to the modest price increases instituted on many of our products last year.

Visa fees rose 9.3% during 1983, in part the result of the transaction fees which were initiated in June. That move, which allowed a considerable reduction in the rate of interest charged on this service, was in line with the policy of a more equitable assignment of costs to those who actually use a service.

Loan and commitment fees totalled $98.2 million in 1983, up 9.8%. Growth arose largely as a result of increased syndication business and a revised rate structure. Renegotiation fees for many of the international refinancings have not yet begun to be reflected in this category.

Securities commissions amounted to $44.0 million in 1983, virtually unchanged from 1982.

Foreign exchange revenue, at $93.3 million, was modestly lower than in 1982. The stability of the Canadian dollar relative to other major currencies, particularly the U.S. dollar, and a recession-induced reduction in trade-related transactions, lowered the volume of trading significantly and also reduced the opportunities for profit. The Royal Bank remains one of the world's leading foreign exchange dealers.

Fees on bankers' acceptances, letters of credit and guarantees totalled $72.0 million in 1983, 22.0% higher than in the previous year. These instruments, particularly bankers' acceptances, have been gaining in popularity over the past few years. As well, our pricing structure has been modified somewhat to more appropriately reflect the risk the Bank assumes.

Sundry revenue rose substantially in 1983, climbing by 59.5% to $94.9 million. This reflected a wide range of volume and price increases in both consumer and business markets.

Table 4

Other Income ($ Millions)	**1983**	1982	Per Cent Change
Service Charges	**$185.0**	$160.4	15.3%
Visa Fees	**79.6**	72.8	9.3
Loan & Commitment Fees	**98.2**	89.4	9.8
Securities Commissions	**44.0**	44.0	—
Foreign Exchange Revenue	**93.3**	97.8	(4.6)
Bankers' Acceptances, Letters of Credit & Guarantees	**72.0**	59.0	22.0
Sundry	**94.9**	59.5	59.5
Total	**$667.0**	$582.9	14.4%

Non-Interest Expenses

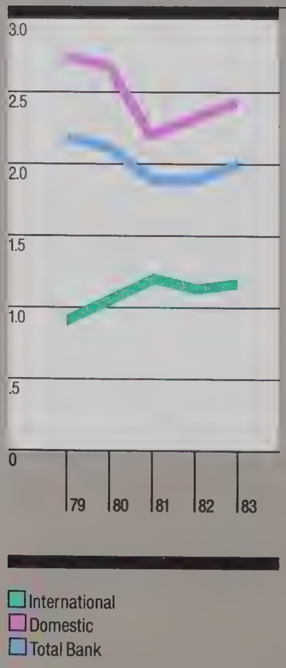
The profitability difficulties encountered in 1982 led to a series of cost management initiatives being undertaken by the Bank. These were designed to bring about major changes in spending policies and a substantial reduction in our level of overhead. It is clear that these efforts have been successful. Total non-interest expenses in 1983 were $1,746 million, only 4.3% higher than in 1982. The fact that our costs grew at an annual rate of 20.9% in 1982 demonstrates how well and how fast these cost management initiatives have worked.

Total staff costs constitute over 60% of non-interest expenses. In 1983, the staff cost increase of only 3.8% was attributable to a combination of tight complement controls and the modest merit increases paid last year. Our level of staff declined by 1,070 in 1983, to 38,687 people. Domestic complement was down 669 from 1982, to 31,686 people. International staff fell 401 to 7,001 people at year-end. These net reductions were accomplished largely through attrition as well as redeployment and consolidation of staff.

While much progress in this area has been made, further evaluation of organization and staffing within the Bank continues, with the aim of keeping future complement and other cost increases to the minimum level practicable. We would stress, however, that productivity gains will not be made at the expense of customer service.

Chart 9

Non-Interest Expenses
(% of Average Assets)



Property and automation costs amounted to $273.3 million in 1983, roughly 7% higher than in 1982. In Canada, during 1983 we closed 38 branches while opening 7, for a net decrease of 31 branches. Internationally, we had a net decrease of 1 branch. Nevertheless, property expenses were higher due to escalating lease and administration costs, while automation costs rose 10% reflecting our continued commitment to maintaining and improving our computer processing capabilities. Further development of automated delivery systems, such as Personal Touch Banking machines, will ultimately improve both earnings and customer service.

Other operating expenses, which includes a wide range of miscellaneous cost categories, rose 4.1% to $397.5 million. This was an extremely gratifying performance with most expense categories showing little change during the year.

Employees throughout the Bank can be proud of their significant accomplishments in the area of non-interest expense management.

Income Taxes

In 1983, the Royal Bank reported a provision for income taxes of $191.0 million, compared to a credit of $28.0 million in 1982. This increase in the provision for income taxes for the year was due to a number of factors but was most directly attributable to a reduction in the amount of tax-exempt income earned in 1983.

The Royal, like other corporations in Canada, is subject to a combined federal and provincial income tax rate which approximates 50%. However, the low effective tax rate of 28.4% reflected on the 1983 Statement of Income and the negative tax rate of 8.5% in 1982 may create an erroneous impression that the Bank is subject to a lower tax burden than other business enterprises. In fact, the Royal and other Canadian banks are subject to income taxes at normal statutory rates.

There are two principal reasons for the Bank's low effective tax rate. First, the Bank earns substantial amounts of tax-exempt income on its $2.8 billion portfolio of loan equivalents consisting of small business bonds, income debentures and term preferred shares. When, as an example, the Bank takes on an obligation such as a small business bond it accepts a lower yield on that obligation which allows the issuer to raise funds at lower interest rates. Although the Bank's financial statements reflect a lower amount of income taxes, the reduced level of tax expense is offset by an equivalent reduction in interest income.

In effect the tax saving is passed on in the form of reduced interest costs to the borrower. For analytical purposes, a taxable equivalent

adjustment, as discussed in the net interest income analysis section of this report, is made to compensate for this differential. If the reported tax expense were adjusted to reflect this, the provision for income taxes shown in the Statement of Income would increase by $224.8 million in 1983 and by $331.2 million in 1982.

Lower effective tax rates also reflect the fact that certain foreign subsidiaries, whose operations are consolidated by the Bank, incur income taxes in their countries of operation at lower rates than the tax rate of 50% applicable to the Bank itself.

A reconciliation of the combined federal and provincial statutory income tax rate to the effective income tax rate for 1983 and 1982 is provided in Note 2 to the Financial Statements on page 62.

Non-Performing Loans and Loan Losses

The recession of 1982/1983 affected almost every aspect of the Royal Bank's operations, but no figures are better indicators of its severity than the level of our non-performing loans and related loan loss experience.

We mentioned earlier that a number of our clients hardest hit by the recession were unable to meet their interest or principal payment obligations. In more technical terms, many of these loans were classified as non-performing whenever one of the following occurred:

(1) management felt that the collectibility of principal or interest was in doubt, or

(2) payment of interest was over ninety days past due, unless management determined that the collectibility of principal and interest was not reasonably in doubt.

Once a loan is placed in the non-performing category, several things happen. First, any previously accrued but unpaid interest is reversed to income. Secondly, depending upon collateral available and the borrower's prospects, a specific provision for possible loss of principal may be set up in connection with the loan. Finally, as long as management feels that the principal amount of the loan is in jeopardy, any interest received in connection with the loan is not recorded as income but instead is applied in reduction of loan principal. These actions have an obvious immediate detrimental impact on the Bank's earnings.

The specific provisions for losses represent management's best estimate of the losses which may be incurred on troubled loans. The cumulative provisions for loan losses have been deducted from loan balances outstanding on the balance sheet. In effect, the loss is taken on a troubled loan when the specific provision is set up. In many cases, by the time a loan is written off, much of its original principal value will have been provided for through previously-established specific provisions.

During 1983, the level of non-performing loans, net of specific provisions for losses, rose to $2.8 billion at year-end, up 39.1% from the same date one year ago. The non-performing

Table 5

Non-Performing Loans As at October 31 ($ Millions)	**1983**	1982	1981	1980
Domestic	**$1,632**	$1,252	$216	$171
International	**1,206**	788	12	33
Total Non-Performing Loans (net of specific provisions for losses)	**$2,838**	$2,040	$228	$204

Table 6

Detail of Loan Losses Year Ended October 31 ($ Millions)	1983	1982	1981	1980	1979
Loan Loss Experience					
Domestic—					
Consumer Instalment Loans & Visa	**$ 57.0**	$ 53.0	$ 29.8	$ 25.2	$ 18.5
Mortgages	**1.1**	0.4	0.4	(0.4)	0.7
Other Personal Loans	**34.0**	23.3	12.5	9.6	11.6
Agriculture and Independent Business	**104.0**	84.5	36.8	28.8	30.2
Large Commercial & Corporate	**257.8**	368.8	64.6	27.8	4.5
Total Domestic	**453.9**	530.0	144.1	91.0	65.5
International	**317.8**	149.6	74.5	56.0	(0.7)
Total Loan Loss Experience	**$ 771.7**	$ 679.6	$ 218.6	$ 147.0	$ 64.8
Eligible Loans					
Domestic—					
Consumer Instalment Loans & Visa	**$ 5,093**	$ 4,962	$ 5,013	$ 4,042	$ 3,566
Mortgages	**5,619**	5,069	4,406	2,610	2,116
Other Personal Loans	**2,589**	2,592	2,801	2,353	2,198
Agriculture and Independent Business	**7,171**	7,501	5,361	4,324	4,154
Large Commercial & Corporate	**24,254**	25,233	22,031	13,985	10,161
Total Domestic	**44,726**	45,357	39,612	27,314	22,195
International	**20,529**	21,204	19,038	12,495	9,827
Total Eligible Loans	**$65,255**	$66,561	$58,650	$39,809	$32,022
Loss Experience as a Per Cent of Eligible Loans					
Domestic—					
Consumer Instalment Loans & Visa	**1.12%**	1.07%	0.59%	0.62%	0.52%
Mortgages	**0.02**	0.01	0.01	(0.02)	0.03
Other Personal Loans	**1.31**	0.90	0.45	0.41	0.53
Agriculture and Independent Business	**1.45**	1.13	0.69	0.67	0.73
Large Commercial & Corporate	**1.06**	1.46	0.29	0.20	0.04
Total Domestic	**1.01**	1.17	0.36	0.33	0.30
International	**1.55**	0.71	0.39	0.45	(0.01)
Total	**1.18%**	1.02%	0.37%	0.37%	0.20%

loans on our books reflect the impact of the recession on virtually all industrial sectors and geographical areas. However, certain of our clients have been harder hit than others. Within Domestic Operations, non-performing loans have risen most dramatically in western Canada, where they have been concentrated among firms in the oil service, real estate and forestry industries. International non-performing loans, the major portion of which are private sector borrowings, have been concentrated in the U.S.A. and in the Latin America and Caribbean area.

We are uncertain as to when or what portion of the back interest owing on our non-performing loans will be collected. The most difficult and time-consuming loans in this category are now being administered by our Special Loans Group. This team of senior bankers has been given the mandate and the resources to resolve many of the situations outstanding. In addition, our domestic district and international area offices have specialized groups concentrating on working out remaining problem loans. While we do not anticipate that the payment of interest arrears will significantly improve earnings over the short term, we expect, based on previous experience, that a good portion of our non-performing loans will ultimately return to productive status.

The Bank's loan losses have increased along with the level of non-performing loans. Our loss experience in 1983 amounted to $771.7 million, up from $679.6 million in 1982. As shown in Table 6, the increase was entirely attributable to higher loan losses in International Operations, as Domestic losses declined by $76.1 million. As a result, our loan loss provision, the amount charged to income, rose $108.0 million from 1982 to reach $452.0 million in 1983.

Loan loss experience, as previously explained, represents the Bank's best estimate of the additional specific provisions required to cover anticipated losses on identified problem loans. Expressed differently, the loan loss experience for the year is equal to the sum of the actual write-offs net of recoveries, plus the change in accumulated specific provisions for losses carried on the balance sheet. The portion of the loan loss experience charged to the income statement in any given year (called the loan loss provision) is based on a formula which has the effect of averaging the loan loss experience over a five-year period. Any difference between actual loan loss experience and loan loss provision is charged directly to capital. A five-year history of loan loss experience, loan loss provision and eligible loans is presented in Table 6.

The decline in our Domestic losses in 1983 was due to an improvement in the large commercial and corporate sector during the year. However, losses in this area continue to be unacceptably high. Loan losses in the Agriculture & Independent Business sector rose $19.5 million from 1982, reflecting the ongoing hardship in these market sectors.

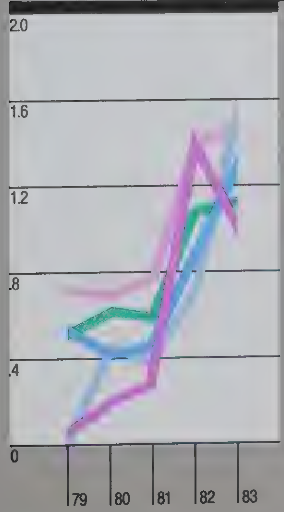
Our International loan losses rose more than twofold in 1983 to $317.8 million. While losses are up in all geographic areas, the largest increases occurred in the U.S.A. where, as is the case in western Canada, our clients in the real estate and oil service industries are experiencing severe difficulties.

International lending to foreign countries has received a great deal of media attention. The sustained period of extremely high interest rates made debt service unexpectedly difficult for borrowing countries. In addition, the global recession reduced their earnings capacity. These developments caused a number of countries, principally located in Central and South America, to seek renegotiation of loan repayment conditions.

The debt management challenge that the international community faces is one of bringing debt burdens down to more manageable levels in an orderly way. We recognize that it will take time to restore the liquidity and credit-worthiness of many of these heavily indebted nations.

Chart 10

Loan Loss Ratios by Loan Categories
(as a percent of eligible loans)



Agriculture & Independent Business
Other Personal Loans
Consumer Instalment Loans & VISA
Large Commercial & Corporate Business
International Business

Table 7

Breakdown of Loans As at September 30 ($ Millions)	**1983**	Per Cent	1982	1981	1980	1979
Residents of Canada:						
Mortgages	**$8,004**	14.0%	$7,442	$6,888	$4,909	$4,256
Loans to individuals	**7,682**	13.4	7,554	7,814	6,395	5,764
Agricultural	**2,262**	3.9	2,168	1,968	1,921	1,765
Financial Institutions	**2,446**	4.3	2,930	1,912	1,595	821
Merchandisers	**2,553**	4.4	3,664	2,792	2,187	1,834
Manufacturing & Industrial	**8,072**	14.1	9,411	8,741	3,756	3,544
Construction & Real Estate	**3,346**	5.8	3,714	3,463	2,119	1,769
Other Canadian Residents	**5,169**	9.0	6,117	5,392	3,952	3,706
Total Residents of Canada	**39,534**	68.9	43,000	38,970	26,834	23,459
Non-Residents	**17,823**	31.1	17,643	16,950	11,560	9,028
Total Loans (excluding deposits with other banks)	**$57,357**	100.0%	$60,643	$55,920	$38,394	$32,487

Table 8

Regional Distribution of Domestic Assets As at September 30 ($ Billions)	**1983**	Per Cent	1982	Per Cent
Atlantic Provinces	**$ 3.0**	5.5%	$ 2.6	4.7%
Quebec	**6.6**	11.9	6.5	11.6
Ontario	**17.3**	31.3	17.2	30.5
Manitoba, Saskatchewan & Alberta	**18.0**	32.4	18.4	32.8
British Columbia, Yukon & Northwest Territories	**10.4**	18.9	11.4	20.4
Total	**$55.3**	100.0%	$56.1	100.0%

In many of the problem situations around the world much progress has already been made. This reflects the evolving cooperation between the borrowers, the multilateral lending agencies — such as the International Monetary Fund and the Bank for International Settlements — the governments and the international commercial banks. This cooperation will be needed both for working out the excess burden of debt and for ensuring that new funds will flow to finance trade and economic development throughout the international community. We believe that this cooperation will continue and that debt loads will be brought down to more tolerable levels.

Credit Policy and Risk Management

A bank's success and stability depends almost entirely on its credit policies, a key component of which is the degree of diversification of its portfolio of loans. A bank must first and foremost be able to determine the soundness of each one of the lending proposals made to it. It then has to ensure that the loans it makes are sufficiently varied by industry and geography so as to avoid seriously impairing earnings due to problems in any single industry or area. It is the Royal Bank's policy to limit loan authorizations to any independent corporate borrower to 15% and, in some very rare cases, to not more than 25% of our shareholders' equity. Country and industry limits are also established taking into account economic, political and social considerations and strategic positioning objectives. These limits are monitored closely and reviewed frequently. The following tables and charts provide geographic and industry information on the Bank's loan portfolio.

Table 7 provides a breakdown of the Royal Bank's lending activity within Canada by industry or type of loan. Domestic loans declined $3.5 billion in 1983 with most of the reduction taking place in the manufacturing/industrial and merchandising sectors. Mortgages, loans to individuals and agricultural loans increased during the year. The level of diversification of the Bank's Domestic loans is apparent in the fact that no one industry category in Table 7 accounts for as much as fifteen percent of the total.

Table 8 demonstrates the extent of geographical diversification of Domestic assets.

Global Asset Distribution

Table 9 shows that almost three-quarters of our assets represent claims on residents of Canada or the United States; no other geographic area represents as much as 10% of the Bank's total assets.

Table 9

Earning Assets by Location of Ultimate Risk ($ Millions)	1983	Per Cent	1982	Per Cent
Canada	**$47,828**	62.7%	$51,367	64.0%
United States	**5,800**	7.6	6,096	7.6
West Germany	**1,422**	1.9	1,508	1.9
France	**1,514**	2.0	1,263	1.6
Other Continental European Countries	**3,547**	4.6	3,860	4.8
Total Continental Europe Area	**6,483**	8.5	6,631	8.3
United Kingdom	**3,912**	5.1	4,173	5.2
Ireland and Nordic Countries	**1,132**	1.5	1,163	1.4
Total U.K., Ireland & Nordic Countries Area	**5,044**	6.6	5,336	6.6
Mexico	**1,328**	1.7	1,273	1.6
Brazil	**1,075**	1.4	981	1.2
Puerto Rico	**826**	1.1	857	1.1
Other Latin American & Caribbean Countries	**4,036**	5.3	3,953	4.9
Total Latin America & Caribbean Area	**7,265**	9.5	7,064	8.8
Japan	**955**	1.2	1,095	1.4
Other Asia Pacific	**2,290**	3.0	2,112	2.6
Total Asia Pacific	**3,245**	4.2	3,207	4.0
Total Middle East & Africa	**635**	0.9	549	0.7
Total	**$76,300**	100.0%	$80,250	100.0%

Individual countries are indicated where assets exceed 1% of total earning assets. "Canada" includes all Canadian dollar assets booked in Canada. 1983 figures are at September 30; 1982 figures are at October 31.

The degree of international lending to specific countries and the level of lending to developing countries in general are issues that have also generated a great deal of discussion.

Table 10 presents the Bank's total earning assets broken down according to the income classification of the country of the borrower, or if the loan is guaranteed, by the country of the guarantor. The Bank's assets located in industrialized countries, which includes Canadian operations, represent 85.5% of our global business. Countries with centrally-planned economies represent 0.9% of our total portfolio, while oil-exporting countries make up 1.7%. Loans to developing countries form 11.9% of our world-wide portfolio.

The Royal's exposure to developing countries compares favourably with other major international and North American banks. Furthermore, it is important to note that within that group of countries, the Royal's business is highly concentrated in the stronger of the developing countries, largely due to our extensive branch network in the Caribbean. This sector is almost entirely locally funded, is profitable and is also considered to be relatively low-risk business. Assets resident in the lower middle income and low income developing countries total less than $1 billion, or 1.4%, of the Bank's total earning assets.

Table 9 provides a breakdown of our total loan portfolio for the last two years. Amounts outstanding to any country which exceed 1% of total Bank earning assets are disclosed. The economic difficulties experienced by the major borrower nations of Brazil and Mexico have been extensively reported in the news media. Table 9 sets out the Bank's lending to each of these countries in dollar terms and as a percentage of earning assets.

The combination of slow growth, high interest rates and weak export prices and volumes has had a particularly dramatic effect on the ability of these countries to meet debt servicing and repayment obligations. However, there is evidence that the financial condition of these resource-rich borrowers has begun to strengthen. The recent and noticeable improvement in world-wide economic conditions has allowed some firming of commodity prices and higher volumes of trade. In addition, interest rates, which have declined significantly from previous peak levels, are stabilizing at lower levels. These improved conditions, combined with an increased discipline in the area of domestic economic policies will, we believe, allow each of the above countries eventually to meet their loan obligations.

Table 10

Distribution of Assets by Country Development Classification ($ Billions)	**1983**	Per Cent	1982	Per Cent
Industrialized Countries	**$65.2**	85.5%	$69.5	86.6%
Centrally-Planned Countries	**0.7**	0.9	0.8	1.0
Oil-Exporting Countries	**1.3**	1.7	1.2	1.5
Developing Countries:				
High Income	**1.5**	1.9	1.3	1.6
Upper Middle Income	**3.4**	4.4	3.6	4.5
Intermediate Middle Income	**3.2**	4.2	3.0	3.7
Lower Middle Income	**0.8**	1.1	0.7	0.9
Low Income	**0.2**	0.3	0.2	0.2
Total Earning Assets	**$76.3**	100.0%	$80.3	100.0%

Based on International Bank for Reconstruction and Development Classifications of Per Capita Income. 1983 figures are at September 30; 1982 figures are at October 31.

Table 11

Capital Funds As at October 31 ($ Millions)	**1983**	1982	1981	1980	1979
Common Equity	**$2,549**	$2,428	$2,293	$1,942	$1,540
Appropriations for Contingencies	**100**	101	258	213	212
Total Common Shareholders' Equity	**2,649**	2,529	2,551	2,155	1,752
Convertible Preferreds	**510**	210	–	–	–
Straight Preferreds	**140**	144	150	154*	159*
Total Equity	**3,299**	2,883	2,701	2,309	1,911
Convertible Debentures	**360**	360	100	–	–
Total Equity & Equity Equivalents	**3,659**	3,243	2,801	2,309	1,911
Subordinated Debentures	**759**	761	679	682*	520
Total Capital Funds	**$4,418**	$4,004	$3,480	$2,991	$2,431
Assets to Total Equity Ratio	**25.7:1**	30.7:1	31.6:1	26.6:1	26.5:1
Assets to Total Capital Funds Ratio	**19.2:1**	22.1:1	24.5:1	20.6:1	20.9:1

**Includes exchangeable capital of subsidiaries.*

Capital Funds Management

The total of the Bank's capital funds is comprised of common shareholders' equity, preferred shareholders' equity, appropriations for contingencies and long-term subordinated debentures.

In broad terms, the role of capital is to maintain the full confidence of depositors, creditors and shareholders in the integrity and stability of a bank. An adequate capital base also ensures the capacity to absorb any unusually severe setback which might otherwise impair a bank's ability to continue operating as a going concern. Capital also provides the funds needed to acquire the physical assets — branch facilities, computers — necessary to conduct the business of banking. Finally, growth in capital funds is a prerequisite to continuing expansion of credit and other banking services.

A primary objective of management is to provide the common shareholders of the Bank with an acceptable return on their investment. Supplementing the common shareholders' investment with long-term debt and preferred shares is an effective means of helping to achieve this goal. Capital funds management involves balancing the long-term safety and growth needs of the Bank with the return on investment expectations of the shareholders.

As illustrated in Table 11, total Capital Funds reached $4,418 million at October 31, 1983. During the year, a $300 million issue of First Preferred Shares Series B with warrants to purchase Common Shares was well received by the marketplace. A further $95.5 million in common equity was raised through the Bank's Shareholder Dividend and Share Purchase Plan, a welcome indication of shareholders' confidence in the future prospects of their Bank. Approximately $49.7 million of the $95.5 million was the result of dividend reinvestment and stock dividend options whereby shareholders acquire new shares at 95% of market value. Table 11 also provides the capital ratios which are traditionally employed when evaluating banks' capital adequacy.

Table 12

Change in Capital Balances For the Year Ended October 31 ($ Millions)	**1983**	1982	1981
Net Income	**$480.0**	$357.6	$478.2
Excess of loss experience on loans over provision for loan losses	**(319.7)**	(335.6)	(32.9)
Income tax credit on transfer to appropriations for contingencies	**86.0**	94.0	35.7
Other	**—**	21.4	—
Capital from Operations	**246.3**	137.4	481.0
Less Dividends	**(218.0)**	(201.4)	(147.9)
Internally Generated Capital	**28.3**	(64.0)	333.1
Other Sources of Capital:			
Common Stock	**95.5**	43.6	61.7
Preferred Stock	**291.7**	203.0	150.8
Debentures	**(1.8)**	341.9	185.1
Total Increase in Capital	**$413.7**	$524.5	$730.7

Table 13

Capital Ratios As at October 31 ($ Millions)	**1983**	1982	1981	1980	1979
Total Assets	**$84,682**	$88,456	$85,359	$61,482	$50,676
Letters of Credit & Guarantees	**3,595**	3,421	3,409	2,479	1,934
Less Investment in Associated Corporations (20%-50% owned)	**(95)**	(83)	(75)	(98)	(91)
Gross Assets	**$88,182**	$91,794	$88,693	$63,863	$52,519
Primary Capital:					
Common Shareholders' Equity	**$ 2,549**	$ 2,428	$ 2,293	$ 1,942	$ 1,540
Permanent Preferred Shares	**300**	—	—	—	—
Appropriations for Contingencies	**100**	101	258	213	212
Less Investment in Associated Corporations (20%-50% owned)	**(95)**	(83)	(75)	(98)	(91)
Minority Interests	**5**	2	6	22	6
Total Primary Capital	**$ 2,859**	$ 2,448	$ 2,482	$ 2,079	$ 1,667
Secondary Capital:					
Other Preferred Shares (1)	**$ 350**	$ 354	$ 150	$ 154	$ 159
Bank Debentures (1)	**856**	950	559	529	488
Total Secondary Capital	**$ 1,206**	$ 1,304	$ 709	$ 683	$ 647
Net Capital (Primary & Secondary)	**$ 4,065**	$ 3,752	$ 3,191	$ 2,762	$ 2,314
Primary Capital Ratio	**30.8:1**	37.5:1	35.7:1	30.7:1	31.5:1
Net Capital Ratio	**21.7:1**	24.5:1	27.8:1	23.1:1	22.7:1

(1) Securities which are within five years of maturity are subject to straight line amortization to zero during their remaining term and, accordingly, are included above at their amortized value.

In Table 12, we have provided a summary statement of changes in capital balances. As shown in the table, the Bank's internal generation of capital improved substantially in 1983. However, it still has a long way to go before it again reaches acceptable levels.

In 1983, the global economic recession which created difficult conditions for individual and corporate clients alike resulted in abnormally high loan loss experience. As noted earlier, the full amount of loan losses in a given year is not charged to income in that same year. The charge to income (the provision for loan losses) is based on a five-year average ratio of actual loan losses to risk assets. The difference between the charge to income and actual losses in any year is, as shown in Table 12, charged directly to capital.

During the past year the Inspector General of Banks, the regulatory authority governing banking operations in Canada, published guidelines respecting the capital adequacy of Canadian banks which, among other things, would require the addition of contingent liabilities such as letters of credit and guarantees to balance sheet assets for purposes of calculating leverage ratios. In addition, these guidelines call for a segregation of banks' capital funds into primary and secondary capital components.

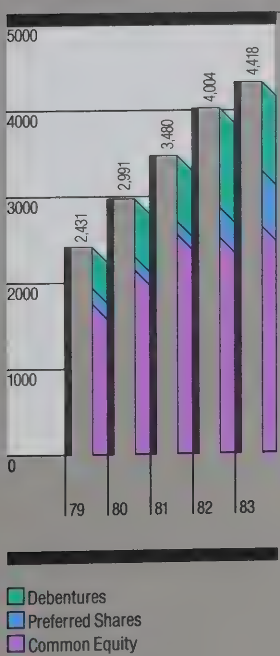
Primary capital includes those elements of capital funds which are permanent, subordinate to other creditors and where, if necessary, the related servicing costs may be constrained or eliminated.

Secondary capital includes those instruments such as bank debentures and redeemable preferred shares which, although subordinate to the rights of depositors, do not have all of the required primary capital properties. Also, during the final five years to maturity the face value of any such eligible capital components would be amortized on a straight line basis to determine the amount qualifying as secondary capital.

Table 13 provides a five-year perspective of the Royal Bank's capital ratios calculated on the basis of the Inspector General's guidelines. As is evident, both the primary capital ratio and net capital ratio (primary plus secondary capital) have strengthened considerably in 1983 due to a modest decline in gross assets during the year combined with strong overall growth in capital funds.

Chart 11

Capital Funds
($ Millions)



Annual Domestic Highlights (as a per cent of average assets)	**1983**	1982	1981	1980	1979
Net Interest Income (taxable equivalent basis)	**3.41%**	2.67%	2.95%	3.16%	3.39%
Provision for Loan Losses	**.55**	.46	.28	.25	.23
	2.86	2.21	2.67	2.91	3.16
Other Income	**.86**	.71	.65	.68	.68
	3.72	2.92	3.32	3.59	3.84
Non-Interest Expenses	**2.44**	2.33	2.22	2.69	2.76
	1.28	.59	1.10	.90	1.08
Income Taxes—Including Taxable Equivalent Adjustment	**.62**	.30	.55	.45	.53
Minority Interests	**—**	—	.01	.03	.04
Return on Assets	**.66%**	.29%	.54%	.42%	.51%
Average Assets ($ Billions)	**$56.6**	$56.0	$48.9	$36.5	$32.0
Net Income ($ Millions)	**374**	162	262	154	162

Annual International Highlights (as a per cent of average assets)	**1983**	1982	1981	1980	1979
Net Interest Income (taxable equivalent basis)	**1.65%**	1.85%	2.26%	2.21%	1.97%
Provision for Loan Losses	**.47**	.26	.21	.17	.23
	1.18	1.59	2.05	2.04	1.74
Other Income	**.59**	.57	.74	.65	.73
	1.77	2.16	2.79	2.69	2.47
Non-Interest Expenses	**1.19**	1.13	1.20	1.06	.90
	.58	1.03	1.59	1.63	1.57
Income Taxes—Including Taxable Equivalent Adjustment	**.23**	.43	.71	.65	.64
Minority Interests	**—**	—	—	—	.03
Return on Assets	**.35%**	.60%	.88%	.98%	.90%
Average Assets ($ Billions)	**$30.1**	$32.5	$24.6	$19.8	$14.2
Net Income ($ Millions)	**106**	196	216	194	128

Quarterly Domestic Highlights
(as a per cent of average assets)

	1983 Q4	1983 Q3	1983 Q2	1983 Q1	1982 Q4	1982 Q3	1982 Q2	1982 Q1
Net Interest Income (taxable equivalent basis)	3.68%	3.46%	3.52%	3.07%	3.03%	2.71%	2.68%	2.25%
Provision for Loan Losses	.47	.51	.65	.57	.60	.45	.49	.31
	3.21	2.95	2.87	2.50	2.43	2.26	2.19	1.94
Other Income	.92	.88	.87	.80	.76	.71	.73	.65
	4.13	3.83	3.74	3.30	3.19	2.97	2.92	2.59
Non-Interest Expenses	2.59	2.48	2.44	2.34	2.41	2.32	2.48	2.12
	1.54	1.35	1.30	.96	.78	.65	.44	.47
Income Taxes–Including Taxable Equivalent Adjustment	.74	.63	.65	.48	.40	.33	.22	.24
Return on Assets	.80%	.72%	.65%	.48%	.38%	.32%	.22%	.23%
Average Assets ($ Billions)	$56.2	$56.4	$55.9	$56.8	$56.8	$56.9	$54.9	$55.6
Net Income ($ Millions)	113.2	102.9	88.5	69.1	54.9	45.8	29.1	32.5

Quarterly International Highlights
(as a per cent of average assets)

	1983 Q4	1983 Q3	1983 Q2	1983 Q1	1982 Q4	1982 Q3	1982 Q2	1982 Q1
Net Interest Income (taxable equivalent basis)	1.25%	1.68%	1.84%	1.76%	2.02%	1.80%	1.78%	1.80%
Provision for Loan Losses	.44	.64	.41	.39	.18	.34	.28	.25
	.81	1.04	1.43	1.37	1.84	1.46	1.50	1.55
Other Income	.54	.62	.58	.60	.68	.47	.52	.59
	1.35	1.66	2.01	1.97	2.52	1.93	2.02	2.14
Non-Interest Expenses	1.22	1.19	1.19	1.15	1.21	1.12	1.09	1.09
	.13	.47	.82	.82	1.31	.81	.93	1.05
Income Taxes–Including Taxable Equivalent Adjustment	(.05)	.22	.40	.28	.62	.38	.26	.44
Minority Interests	—	.01	—	—	—	—	—	—
Return on Assets	.18%	.24%	.42%	.54%	.69%	.43%	.67%	.61%
Average Assets ($ Billions)	$29.1	$29.7	$30.8	$31.6	$32.1	$32.7	$34.2	$31.2
Net Income ($ Millions)	13.5	18.3	31.2	43.3	55.8	35.2	56.2	48.2

Consolidated Statement of Income

Year Ended October 31 ($ Thousands)	1983	1982	1981	1980	1979	1978	1977
Interest Income							
Loans	**$7,008,683**	$9,360,648	$8,193,495	$5,006,165	$3,649,193	$2,532,891	$2,071,257
Lease financing	**71,093**	75,426	41,316	33,778	22,069	21,089	9,387
Securities	**663,882**	788,414	776,790	613,836	501,004	320,344	244,808
Deposits with banks	**1,138,627**	1,860,323	1,738,799	1,114,410	640,722	364,927	262,181
	8,882,285	12,084,811	10,750,400	6,768,189	4,812,988	3,239,251	2,587,633
Interest Expense							
Deposits	**6,513,404**	10,150,744	8,952,226	5,350,810	3,601,352	2,095,151	1,626,124
Bank debentures	**126,699**	128,506	71,659	49,476	44,894	33,764	27,933
Other	**39,318**	40,293	14,780	9,739	4,857	4,628	5,072
	6,679,421	10,319,543	9,038,665	5,410,025	3,651,103	2,133,543	1,659,129
Net Interest Income	**2,202,864**	1,765,268	1,711,735	1,358,164	1,161,885	1,105,708	928,504
Provision for loan losses	**452,000**	344,000	185,601	124,430	106,021	96,544	83,710
Net Interest Income After Provision for Loan Losses	**1,750,864**	1,421,268	1,526,134	1,233,734	1,055,864	1,009,164	844,794
Other Income	**667,037**	582,874	500,410	377,647	321,292	270,480	244,747
Net Interest and Other Income	**2,417,901**	2,004,142	2,026,544	1,611,381	1,377,156	1,279,644	1,089,541
Non-Interest Expenses							
Salaries	**976,905**	944,545	783,894	664,310	575,217	493,650	443,714
Pension and other staff benefits	**98,129**	91,516	78,668	73,783	64,780	54,059	49,055
Premises and equipment, including depreciation	**273,264**	255,852	203,029	176,886	157,975	151,387	132,747
Other	**397,459**	381,961	318,425	274,650	212,963	180,492	159,562
	1,745,757	1,673,874	1,384,016	1,189,629	1,010,935	879,588	785,078
Net Income Before Income Taxes	**672,144**	330,268	642,528	421,752	366,221	400,056	304,463
Income taxes	**191,000**	(28,000)	160,219	60,876	60,557	135,651	114,289
Net Income Before Minority Interests	**481,144**	358,268	482,309	360,876	305,664	264,405	190,174
Minority interests in subsidiaries	**1,151**	620	4,133	12,844	15,973	3,300	2,218
Net Income	**$ 479,993**	$ 357,648	$ 478,176	$ 348,032	$ 289,691	$ 261,105	$ 187,956
Income per Share							
Basic	**$5.03**	$3.87	$5.75	$4.74	$3.96	$3.57	$2.57
Fully diluted	**$4.58**	$3.68	$5.71	$4.74	$3.96	$3.57	$2.57

Consolidated Statement of Assets and Liabilities

As at October 31 ($ Thousands)	1983	1982	1981	1980	1979	1978	1977
Assets							
Cash resources	**$13,001,831**	$15,018,402	$15,851,527	$11,141,883	$ 9,752,064	$ 7,463,315	$ 6,565,099
Securities	**7,356,747**	6,794,565	7,346,426	6,567,092	6,103,886	4,674,358	3,478,874
Loans	**58,066,890**	60,284,459	57,131,133	40,805,248	32,713,333	26,977,407	23,066,315
Customers' liability under acceptances	**3,928,158**	3,471,826	2,414,937	1,451,068	934,171	498,963	365,019
Land, buildings and equipment	**915,205**	861,271	810,266	732,806	621,170	543,774	478,413
Other assets	**1,412,992**	2,025,469	1,805,163	784,014	550,963	445,237	321,439
Total Assets	**$84,681,823**	$88,455,992	$85,359,452	$61,482,111	$50,675,587	$40,603,054	$34,275,159
Liabilities							
Deposits:							
Payable on demand	**$ 7,985,266**	$ 6,958,361	$ 7,048,266	$ 7,174,200	$ 6,044,284	$ 6,241,106	$ 5,183,165
Payable after notice	**18,102,661**	16,115,476	13,753,780	11,694,397	9,522,866	8,291,186	7,579,935
Payable on a fixed date	**48,301,281**	55,331,625	56,063,342	36,964,587	31,007,746	23,032,064	19,111,274
	74,389,208	78,405,462	76,865,388	55,833,184	46,574,896	37,564,356	31,874,374
Acceptances	**3,928,158**	3,471,826	2,414,937	1,451,068	934,171	498,963	365,019
Advances from Bank of Canada	**76,000**	—	—	—	—	—	—
Other liabilities	**1,865,393**	2,571,863	2,592,699	1,272,168	729,668	624,812	434,227
Minority interests in subsidiaries	**4,786**	2,249	6,305	176,230	164,656	14,607	8,887
Subordinated debt—bank debentures	**1,119,413**	1,121,212	779,325	594,226	519,559	413,666	353,891
	81,382,958	85,572,612	82,658,654	59,326,876	48,922,950	39,116,404	33,036,398
Capital and Reserves							
Appropriations for contingencies	**100,197**	100,894	257,800	213,180	212,163	129,914	64,270
Shareholders' equity:							
Capital stock—Preferred	**649,820**	354,038	150,285	—	—	—	—
—Common	**629,152**	84,833	82,843	80,243	73,181	73,181	73,181
Contributed surplus	—	451,965	407,872	348,125	192,762	192,762	192,762
Retained earnings	**1,919,696**	1,891,650	1,801,998	1,513,687	1,274,531	1,090,793	908,548
	3,298,865	2,883,380	2,700,798	2,155,235	1,752,637	1,486,650	1,238,761
Total Liabilities, Capital and Reserves	**$84,681,823**	$88,455,992	$85,359,452	$61,482,111	$50,675,587	$40,603,054	$34,275,159

Selected Statistical Data

Seven-Year Analytical Review	1983	1982	1981	1980	1979	1978	1977
Revenue and Expenses as a Per Cent of Average Total Assets							
Average Total Assets ($ Millions)	**$86,693**	$88,532	$73,488	$56,260	$46,173	$37,325	$31,709
Net Interest Income (Taxable Equivalent Basis) (1)	**2.80%**	2.37%	2.72%	2.82%	2.95%	3.14%	3.04%
Provision for Loan Losses	**.52**	.39	.25	.22	.23	.26	.26
Other Income	**.77**	.66	.68	.67	.70	.72	.77
Non-Interest Expenses	**2.01**	1.89	1.88	2.11	2.19	2.36	2.47
Income Taxes—Including Taxable Equivalent Adjustment	**.49**	.35	.61	.52	.56	.53	.48
Minority Interests	—	—	.01	.02	.04	.01	.01
Return on Assets	**.55%**	.40%	.65%	.62%	.63%	.70%	.59%
Share Information:							
Shares Outstanding (thousands) (2)	**86,769**	83,830	81,710	73,402	73,180	73,180	73,180
Earnings per Share—Basic (3)	**$ 5.03**	$ 3.87	$ 5.75	$ 4.74	$ 3.96	$ 3.57	$ 2.57
Dividends	**$ 2.00**	$ 2.00	$ 1.70	$ 1.26	$ 1.09	$ .78	$ .69
Share Price (4) High	**$36.00**	$27.50	$32.25	$27.75	$23.38	$19.00	$14.31
Low	**$23.50**	$18.00	$24.13	$17.94	$16.88	$12.19	$11.38
Close	**$31.75**	$23.50	$25.75	$26.75	$18.69	$17.50	$12.38
Book Value (5)	**$30.05**	$29.82	$30.79	$26.86	$23.95	$20.31	$16.93
Price/Earnings Ratio (6)	**5.9**	5.9	4.9	4.8	5.1	4.4	5.0
Dividend Yield (7)	**6.7%**	8.8%	6.0%	5.5%	5.4%	5.0%	5.4%
Other Information:							
Deposit to Capital Ratio (8)	**16.8:1**	19.6:1	22.1:1	20.3:1	20.5:1	19.8:1	20.1:1
Return on Equity (9)	**16.8%**	12.7%	20.0%	17.8%	17.9%	19.2%	16.1%
Number of Shareholders (10)	**62,332**	51,159	47,587	38,463	32,058	31,503	32,276
Number of Employees (11)	**38,687**	39,757	38,953	37,034	36,507	35,660	35,335
Number of Branches	**1,536**	1,568	1,574	1,592	1,604	1,600	1,595

Notes to Selected Statistical Data:

(1) These figures have been adjusted to a taxable equivalent basis to recognize income from tax-exempt sources of the following amounts:

	($ Millions)
1977	35.8
1978	65.9
1979	197.9
1980	230.2
1981	286.7
1982	331.2
1983	224.8

(2) Weighted daily average of equivalent fully-paid common shares outstanding.

(3) Net Income less preferred share dividends divided by average shares outstanding.

(4) High and low price of common shares traded on the Toronto Stock Exchange during the fiscal year and the closing price on the last trading day of October.

(5) Common Shareholders' Equity plus Appropriations for Contingencies divided by common shares outstanding at October 31.

(6) Average of high and low common share price divided by earnings per share.

(7) Dividends per common share divided by the average of high and low share price.

(8) Total deposits to total capital on October 31. Total capital includes Shareholders' Equity, Appropriations for Contingencies and Bank Debentures.

(9) Net Income after taxes less preferred share dividends divided by average of monthly common Shareholders' Equity plus Appropriations for Contingencies.

(10) Total Royal Bank common shareholders at October 31.

(11) Full Time staff of The Royal Bank of Canada on October 31.

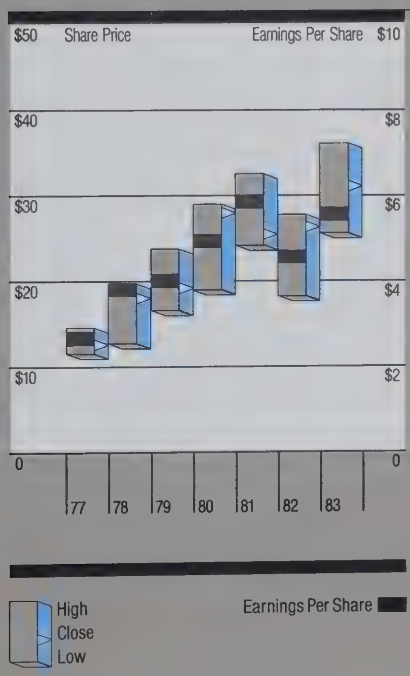
Quarterly Perspective

(in millions except per share)

Year	Fiscal Quarter	Net Interest Income (Taxable Equiv. Basis)	Provision For Loan Losses	Other Income	Non-Interest Expenses	Net Income	Earnings Per Share	Dividends Per Share
1982	I	$ 456.1	$ 63.0	$138.2	$ 383.4	$ 80.7	$ .88	$ .50
	II	506.8	89.0	141.2	422.2	85.3	.92	.50
	III	536.8	92.0	140.0	425.0	81.0	.86	.50
	IV	596.8	100.0	163.5	443.3	110.6	1.21	.50
1982	Full Year	$2,096.5	$344.0	$582.9	$1,673.9	$357.6	$3.87	$2.00
1983	I	$ 579.0	$113.0	$162.4	$ 426.8	$112.4	$1.22	$ .50
	II	617.4	119.0	162.2	420.8	119.7	1.28	.50
	III	617.8	121.0	172.0	441.7	121.2	1.24	.50
	IV	613.4	99.0	170.4	456.5	126.7	1.29	.50
1983	Full Year	$2,427.6	$452.0	$667.0	$1,745.8	$480.0	$5.03	$2.00

Chart 12

Royal Bank Share Price
and Earnings Per Share



Management's Responsibility for Financial Reporting

These financial statements were prepared by the management of The Royal Bank of Canada. While the form of the financial statements and the accounting policies to be followed are stipulated in the Bank Act and related rules issued by the Inspector General of Banks, many amounts must of necessity be based on the best estimates and judgments of management.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees; written policies and procedures manuals; a written corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by an inspection staff which conducts periodic inspections of all aspects of the Bank's operations. In addition, the Bank's Chief Inspector has full and free access to the Audit Committee of the Board of Directors which oversees management's responsibilities for financial reporting. The Audit Committee is composed entirely of directors who are neither officers nor employees of the Bank.

The Inspector General of Banks, at least once a year, makes such examination and enquiry into the affairs of the Bank as he feels necessary to satisfy himself that the provisions of the Bank Act, having reference to the safety of the depositors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

Touche Ross & Co. and Deloitte Haskins & Sells, the independent auditors appointed by the shareholders of the Bank, have examined our financial statements in accordance with generally accepted auditing standards and their report follows. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Bank's financial reporting and the adequacy of the system of internal controls.

ROWLAND C. FRAZEE,
Chairman and
Chief Executive Officer

A. R. TAYLOR,
President and
Chief Operating Officer

Auditors' Report

**To the Shareholders,
The Royal Bank of Canada**

We have examined the consolidated statement of assets and liabilities of The Royal Bank of Canada as at October 31, 1983 and the consolidated statements of income, appropriations for contingencies and changes in shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1983 and the results of its operations for the year then ended in accordance with accounting principles prescribed by the Bank Act applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
DELOITTE HASKINS & SELLS
Chartered Accountants

Montreal, December 5, 1983

Consolidated Statement of Income

(in thousands of dollars)	Year Ended October 31, 1983	Year Ended October 31, 1982
Interest Income		
Loans	$7,008,683	$ 9,360,648
Lease financing	71,093	75,426
Securities	663,882	788,414
Deposits with banks	1,138,627	1,860,323
	8,882,285	12,084,811
Interest Expense		
Deposits	6,513,404	10,150,744
Bank debentures	126,699	128,506
Other	39,318	40,293
	6,679,421	10,319,543
Net Interest Income	2,202,864	1,765,268
Provision for loan losses	452,000	344,000
Net Interest Income After Provision for Loan Losses	1,750,864	1,421,268
Other income	667,037	582,874
Net Interest and Other Income	2,417,901	2,004,142
Non-Interest Expenses		
Salaries	976,905	944,545
Pension and other staff benefits	98,129	91,516
Premises and equipment, including depreciation	273,264	255,852
Other	397,459	381,961
	1,745,757	1,673,874
Net Income Before Income Taxes	672,144	330,268
Income taxes (note 2)	191,000	(28,000)
Net Income Before Minority Interests	481,144	358,268
Minority interests in subsidiaries	1,151	620
Net Income	$ 479,993	$ 357,648
Income per Share (note 3)		
Basic	$5.03	$3.87
Fully diluted	$4.58	$3.68

Consolidated Statement of Assets and Liabilities

(in thousands of dollars)		October 31, 1983	October 31, 1982
Assets	**Cash Resources**		
	Cash and deposits with Bank of Canada	$ 1,503,749	$ 1,757,535
	Deposits with other banks	11,466,036	13,171,518
	Cheques and other items in transit, net	32,046	89,349
		13,001,831	15,018,402
	Securities (note 4)		
	Issued or guaranteed by Canada	3,120,621	2,426,363
	Issued or guaranteed by provinces and municipal or school corporations	101,828	61,033
	Other securities	4,134,298	4,307,169
		7,356,747	6,794,565
	Loans		
	Day, call and short loans to investment dealers and brokers, secured	689,455	630,288
	Loans to banks	1,815,474	1,491,160
	Mortgage loans	8,375,739	7,448,387
	Other loans (note 5)	47,186,222	50,714,624
		58,066,890	60,284,459
	Other		
	Customers' liability under acceptances	3,928,158	3,471,826
	Land, buildings and equipment (note 6)	915,205	861,271
	Other assets (note 7)	1,412,992	2,025,469
		6,256,355	6,358,566
		$84,681,823	$88,455,992

(in thousands of dollars)			October 31, 1983	October 31, 1982
Liabilities	**Deposits (note 8)**			
	Payable on demand		$ 7,985,266	$ 6,958,361
	Payable after notice		18,102,661	16,115,476
	Payable on a fixed date		48,301,281	55,331,625
			74,389,208	78,405,462
	Other			
	Advances from Bank of Canada		76,000	–
	Acceptances		3,928,158	3,471,826
	Liabilities of subsidiaries other than deposits (note 9)		339,820	346,554
	Other liabilities (note 10)		1,525,573	2,225,309
	Minority interests in subsidiaries		4,786	2,249
			5,874,337	6,045,938
	Subordinated Debt			
	Bank debentures (note 11)		1,119,413	1,121,212
	Capital and Reserves			
	Appropriations for contingencies		100,197	100,894
	Shareholders' equity:			
		Capital stock (note 12)	1,278,972	438,871
		Contributed surplus	–	451,965
		Retained earnings	1,919,696	1,891,650
			3,298,865	2,883,380
			$84,681,823	$88,455,992

ROWLAND C. FRAZEE,
Chairman and Chief Executive Officer

A. R. TAYLOR,
President and Chief Operating Officer

Consolidated Statement of Appropriations for Contingencies

(in thousands of dollars)	Year Ended October 31, 1983	Year Ended October 31, 1982
Balance at Beginning of Year (all tax-deductible)	$ 100,894	$ 257,800
Loss experience on loans	(771,697)	(679,550)
Provision for loan losses included in the Consolidated Statement of Income	452,000	344,000
Transfer from Retained Earnings	319,000	178,644
Balance at End of Year (all tax-paid in 1983; all tax-deductible in 1982)	$ 100,197	$ 100,894

Consolidated Statement of Changes in Shareholders' Equity

(in thousands of dollars)	Year Ended October 31, 1983	Year Ended October 31, 1982
Capital Stock		
Balance at Beginning of Year	$ 438,871	$ 233,128
Issue of first preferred shares series B	300,000	–
Issue of convertible second preferred shares series A	–	210,000
Issue of common shares	95,486	1,990
First preferred shares series A purchased for cancellation	(4,218)	(6,247)
Transfer from Contributed Surplus (note 12)	448,833	–
Balance at End of Year	$1,278,972	$ 438,871
Contributed Surplus		
Balance at Beginning of Year	$ 451,965	$ 407,872
Proceeds received in excess of the par value of common shares issued (note 12)	–	41,605
Gain on first preferred shares series A purchased for cancellation	814	2,488
Transfer to Capital Stock (note 12)	(448,833)	–
Transfer to Retained Earnings (note 12)	(3,946)	–
Balance at End of Year	$ –	$ 451,965
Retained Earnings		
Balance at Beginning of Year	$1,891,650	$1,801,998
Prior period foreign currency translation adjustment	–	21,419
Net income for the year	479,993	357,648
Dividends – first preferred series A	(10,681)	(11,039)
– first preferred series B	(9,967)	–
– second preferred series A	(23,100)	(22,197)
– common	(174,236)	(168,228)
Transfer to Appropriations for Contingencies	(319,000)	(178,644)
Income taxes related to the above transfer (note 2)	86,000	94,000
Expenses of share issues net of income taxes (note 2)	(4,909)	(3,307)
Transfer from Contributed Surplus (note 12)	3,946	–
Balance at End of Year	$1,919,696	$1,891,650

Notes to the Financial Statements

(all tabular figures are in thousands of dollars)

1. Significant Accounting Policies

The consolidated financial statements of The Royal Bank of Canada are prepared in accordance with accounting principles prescribed by the Bank Act and the related rules issued by the Inspector General of Banks under the authority of the Minister of Finance. These regulations require the Bank to carry its assets and liabilities on the historical cost basis and to follow the accrual method of accounting.

The accounting principles followed in determining Net Income conform in all material respects with accounting principles generally accepted in Canada except for (i) the deferral of gains and losses on the disposal of debt securities and (ii) the accounting for losses on loans.

The significant accounting policies of the Bank are summarized below:

Basis of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances. The Bank accounts for the acquisition of subsidiaries using the purchase method; any difference between the cost of the investment and the fair value of assets acquired is amortized over appropriate periods varying from 5 to 40 years.

Investments in associated corporations (corporations owned between 20% and 50%) are accounted for using the equity method. The Bank's share of earnings of these associated corporations and gains and losses realized on dispositions of investments in associated corporations are included in income from securities.

As required by the Bank Act, a listing of subsidiaries, associated corporations and other corporations in which the Bank owns in excess of 10% of the voting shares is shown in note 17; separate condensed Statements of Assets and Liabilities and condensed Statements of Income for Royal Bank Mortgage Corporation and RoyLease Limited are included in note 16.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at prevailing quarter-end rates.

Foreign exchange positions are hedged as much as practicable by forward exchange contracts. Any gain or loss on the unhedged foreign exchange position at the end of each quarter as well as realized gains and losses on foreign exchange transactions are included in "Other income".

Securities

Securities include both investment account and trading account securities.

Investment securities are carried at amortized cost. Premiums and discounts are amortized to income on the yield method over the period to maturity of the related securities. Gains and losses realized on disposal of debt securities other than Treasury Bills are deferred and amortized to income over five years. Gains and losses realized on disposal of other investment securities and write-downs to reflect permanent impairment in value are included in income in the year in which they occur.

Trading account securities are carried at estimated current market value. Gains and losses realized on disposal and unrealized valuation adjustments are included in income in the year in which they occur.

Loans

Loans are stated net of unearned interest and specific provisions established to recognize anticipated losses. Aggregate specific provisions for losses on loans are increased by new specific provisions (the "Loss experience on loans") and reduced by loan write-offs net of recoveries.

The "Loss experience on loans" is charged to "Appropriations for contingencies". The "Provision for loan losses" (based upon a formula prescribed by the Minister of Finance designed to average the loss experience over a five-year period) is charged to income and credited to "Appropriations for contingencies".

Loans are placed on a nonaccrual basis whenever (a) there is doubt regarding the collectibility of principal or interest or (b) when payment of interest is ninety days past due unless management determines that the collectibility of principal and interest is not reasonably in doubt. Upon classification of a loan to a nonaccrual basis any previously accrued but unpaid interest thereon is reversed against income of the current period. In subsequent periods, amounts received on nonaccrual loans are only recorded as interest income when management has determined that the ultimate collectibility of the loan is no longer in doubt.

Loan fees are included in income as received only where they relate to expenses incurred or services performed. Loan rescheduling fees and fees received which are in lieu of interest are deferred and amortized over the term of the loan.

Acceptances

The Bank's potential liability under acceptances is reported as a liability in the Consolidated Statement of Assets and Liabilities. The Bank's recourse against the customer in the case of a call on these commitments is reported as an offsetting asset of the same amount.

Land, Buildings and Equipment

Land, buildings and equipment are reported at cost and are depreciated principally on the straight-line method over their estimated useful lives as follows:

Buildings	20 to 50 years
Computer equipment	6 years
Furniture, fixtures and other equipment	7 to 10 years
Leasehold improvements	term of lease plus first option period

Appropriations for Contingencies

The Bank makes appropriations for contingencies with respect to possible unforeseen losses on loans (in addition to specific provisions for identifiable losses) through transfers from Retained Earnings. Of such transfers, the maximum amount which may be made on a tax-deductible basis is prescribed in regulations of the Minister of Finance.

Income Taxes

The Bank follows the tax allocation basis of accounting under which income taxes on specific transactions are recorded in the periods in which the transactions are recognized for accounting purposes regardless of when the transactions are recognized for tax purposes. Deferred income taxes accumulated as a result of such timing differences are included either in "Other assets" or "Other liabilities" as applicable. In addition, the Consolidated Statement of Income contains items which are non-taxable or non-deductible for income tax purposes. Such permanent differences cause the income tax provision to be different than it would be based on statutory rates.

2. Income Taxes	1983	1982
The total income taxes for the year are reported in the financial statements as follows:		
Statement of Income	$191,000	$ (28,000)
Statement of Retained Earnings –		
Transfer to appropriations for contingencies	(86,000)	(94,000)
Expenses of share issues	(4,500)	(3,250)
Total Income Tax Expense (Credits)	$100,500	$(125,250)
The current and deferred income taxes are as follows:		
Current income taxes	$ 75,807	$ 93,682
Deferred income taxes	24,693	(218,932)
Total Income Tax Expense (Credits)	$100,500	$(125,250)
Income taxes in the Statement of Income are at an effective rate less than the combined federal and provincial statutory income tax rate for the following reasons:		
Combined federal and provincial statutory income tax rate	48.9%	50.3%
Increase (decrease) in rate resulting from:		
Tax exempt income from securities, primarily income debentures, term preferred shares and small business bonds	(14.7)	(50.5)
Lower average tax rate applicable to foreign subsidiaries	(3.8)	(10.8)
Other	(2.0)	2.5
Effective income tax rate	28.4%	(8.5)%

3. Income per Share

Basic Income per Share is after deducting preferred dividends and has been calculated on the average number of common shares outstanding. The average number of common shares outstanding for the year ended October 31, 1983 was 86,768,525 (1982 – 83,830,058).

Fully Diluted Income per Share has been calculated on the average number of common shares which would have been outstanding in each year assuming conversion of all convertible securities and exercise of all warrants outstanding as at the beginning of each year or date of issue if later. For purposes of this calculation, adjustments have been made for the after-tax interest on convertible debentures, the dividends on convertible preferred shares and an imputed after-tax return at an appropriate rate on additional funds of $42,000,000 which would be received on the conversion of the second preferred shares series A.

4. Securities

	Maturity					1983		1982	
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Carrying Amount	Estimated Market Value	Carrying Amount	Estimated Market Value
Securities Issued or Guaranteed by									
Canada	$2,428,949	$ 10	$122,311	$ 564,913	$ 4,438	$3,120,621	$3,118,741	$2,426,363	$2,420,706
Provinces and municipal or school corporations in Canada	50,229	7,770	39,663	1,872	2,294	101,828	100,559	61,033	58,117
Other Securities									
Debt Securities:									
Floating rate income debentures	122,968	128,114	85,860	61,483	126,589	525,014	525,014	747,786	747,786
Floating rate small business bonds	1,975	110,882	307,309	–	–	420,166	420,166	806,077	806,077
Other	286,513	150,830	95,545	212,186	55,549	800,623	784,607	629,027	611,818
Equity Securities:									
Floating rate term preferred shares	35,000	54,222	252,709	1,433,538	126,789	1,902,258	1,902,258	1,825,991	1,825,991
Associated corporations					94,969*	94,969	94,969	82,975	82,975
Other					391,268*	391,268	372,325	215,313	195,218
	$2,925,634	$451,828	$903,397	$2,273,992	$801,896	$7,356,747	$7,318,639	$6,794,565	$6,748,688

*These securities have no stated maturity

5. Other Loans

	1983	1982
Provinces and municipal or school corporations in Canada	$ 290,532	$ 332,169
Associated corporations	67,723	51,856
Lease receivables	561,383	601,976
Other loans in Canadian currency	25,701,116	28,993,490
Other loans in foreign currencies	20,565,468	20,735,133
	$47,186,222	$50,714,624

6. Land, Buildings and Equipment

	1983			1982
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	$ 120,969	$ –	$120,969	$119,232
Buildings	579,798	122,898	456,900	436,554
Computer equipment	195,446	82,447	112,999	84,923
Furniture, fixtures and other equipment	293,575	184,792	108,783	107,022
Leasehold improvements	181,153	65,599	115,554	113,540
	$1,370,941	$455,736	$915,205	$861,271

Depreciation and amortization expense for the year ended October 31, 1983 was $73,266,000 (1982 – $69,206,000).

7. Other Assets

	1983	1982
Accrued interest	$ 894,177	$1,189,531
Unamortized past service pension contributions	53,640	59,360
Deferred income taxes	58,666	79,364
Goodwill	57,886	66,421
Sundry, including accounts receivable	348,623	630,793
	$1,412,992	$2,025,469

8. Deposits

	1983	1982
Deposits by Canada	$ 854,082	$ 696,078
Deposits by provinces	463,697	764,979
Deposits by banks	18,709,745	19,762,586
Deposits by individuals	33,499,057	32,059,422
Other deposits	20,862,627	25,122,397
	$74,389,208	$78,405,462

9. Liabilities of Subsidiaries other than Deposits

These liabilities are subordinated in right of payment to claims of the depositors and certain other creditors of the respective subsidiaries.

	1983	1982
RoyLease Limited		
Long-term notes payable in various amounts to 1992 and bearing interest at rates from 5¾% to 11¼%	$280,822	$287,239
The Royal Bank of Canada (Curaçao) N.V.		
7¾% DM 100,000,000 bonds due 1990	46,620	48,493
Other subsidiaries	12,378	10,822
	$339,820	$346,554

10. Other Liabilities

	1983	1982
Accrued interest	$1,072,072	$1,593,789
Accounts payable and accrued expenses	453,501	631,520
	$1,525,573	$2,225,309

11. Bank Debentures

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. In accordance with the formula prescribed in the Bank Act, as at November 1, 1983 the Bank had the capacity to issue an additional $520,000,000 of debentures.

Maturity	Rate			1983	1982
February 15, 1984	8%		Callable on or after February 15, 1982	$ 40,000	$ 40,000
May 15, 1986	10%		Callable on or after May 15, 1984	40,000	40,000
June 1, 1986	9¼%			60,000	60,000
April 7, 1987		(2)		123,270	122,550
June 1, 1987	9%			75,000	75,000
December 1, 1987	7½%	(1)	Callable on or after December 1, 1982	789	789
April 1, 1988	9½%	(1)	Callable on or after April 1, 1984	24,841	26,685
February 15, 1989	10.40%			75,000	75,000
November 15, 1990		(3)		75,000	75,000
April 15, 1991	7%	(1)	Callable on or after April 15, 1983	2,922	2,925
July 22, 1991	12%	(4)	Convertible	100,000	100,000
December 9, 1991		(5)	Convertible, callable on or after December 10, 1986	260,000	260,000
February 15, 1992	9%	(1)	Callable on or after February 15, 1985	35,138	36,350
May 15, 1994	10%	(1)	Callable on or after May 15, 1986	40,000	40,000
December 1, 1994	10%		Maturity on December 1, 1984 at the option of the holder and callable on or after that date	75,000	75,000
May 22, 2000	11⅝%	(1),(6)	Callable on or after November 22, 1992	92,453	91,913
				$1,119,413	$1,121,212

(1) Subject to sinking fund provisions.
(2) The April 7, 1987 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $100,000,000. These debentures bear interest at a rate equal to the average of the six months LIBOR.
(3) The November 15, 1990 debentures bear interest at a rate of ⅝ of 1% below the Bank's average daily prime rate.
(4) The July 22, 1991 debentures are convertible at the option of the holder prior to July 21, 1991 into common shares at a conversion price of $35 per common share. These debentures are also convertible at the option of the Bank on or after July 23, 1986 at a conversion price of $35 per common share if the common shares have traded at or in excess of certain weighted average prices.
(5) Subject to the call provisions, the December 9, 1991 debentures are convertible at the option of the holder up to and including December 9, 1991 into common shares at a conversion price of $30 per common share subject to adjustment in certain events. The debentures bear interest at a rate of 15½% to December 9, 1983 and 11¼% thereafter.
(6) The May 22, 2000 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $75,000,000.

The aggregate sinking fund requirements and maturities of the Bank's debentures assuming the earliest possible dates of maturity under the terms of issue are as follows:

Within 1 year	$ 43,341
From 1 to 2 years	80,638
From 2 to 3 years	112,009
From 3 to 5 years	234,077
From 5 to 10 years	579,967
Over 10 years	69,381
	$1,119,413

12. Capital Stock

Authorized Capital Stock –

Preferred – 50,000,000 First Preferred Shares and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares may be issued shall not exceed $1,250,000,000 in each case.

Common – 250,000,000 shares without nominal or par value provided that the aggregate consideration shall not exceed $3,000,000,000.

Outstanding Capital Stock –	1983 Number of Shares (in thousands)	1983 Amount	1982 Number of Shares (in thousands)	1982 Amount
First Preferred –				
$1.88 Cumulative Redeemable First Preferred Shares Series A (1)				
Outstanding at beginning of year	5,762	$144,038	6,011	$150,285
Purchased for cancellation	169	4,218	249	6,247
Outstanding at end of year	5,593	139,820	5,762	144,038
$1.45 First Preferred Shares Series B, Cumulative and Redeemable and Convertible when tendered with Common Share Warrants (2)				
Issued in June 1983 and outstanding at end of year	15,000	300,000	–	–
Second Preferred –				
$2.75 Cumulative Redeemable Convertible Second Preferred Shares Series A (3)				
Outstanding at beginning of year	8,400	210,000	–	–
Issued during the year	–	–	8,400	210,000
Outstanding at end of year	8,400	210,000	8,400	210,000
Common –				
Outstanding at beginning of year	84,833	84,833	82,843	82,843
Issued during the year under the Shareholder Dividend and Share Purchase Plan	3,329	95,486	1,990	1,990
Transferred from Contributed Surplus (4)		448,833		–
Outstanding at end of year	88,162	629,152	84,833	84,833
Total Outstanding Capital Stock		**$1,278,972**		$438,871

(1) The Bank has undertaken to purchase in each calendar quarter 48,000 of the First Preferred Shares Series A, if available, at prices not exceeding $25 per share.

(2) 7,500,000 Common Share Warrants were issued in July 1983 to the holders of the First Preferred Shares Series B. Each Warrant entitles the holder to purchase one Common Share at a price of $40 on or prior to June 9, 1988, subject to adjustment in certain events. In addition, each Warrant gives the holder the option to tender two First Preferred Shares Series B, in lieu of cash, in return for one Common Share, subject to adjustment in certain events. After June 9, 1988 the Bank will have the option to redeem the First Preferred Shares Series B at $21 per share reducing by $0.20 per year until June 9, 1993 and thereafter at $20. The Bank may at any time purchase for cancellation First Preferred Shares Series B at a price per share, if purchased at any time on or prior to June 9, 1988, not exceeding $21 and, if purchased thereafter, at a price per share not exceeding the then applicable, above-mentioned redemption price.

(3) Subject to the Bank's right of conversion, the Second Preferred Shares Series A are convertible at the option of the holder up to and including December 8, 1988 into one Common Share upon payment by the holder of $5, being a conversion price of $30 per Common Share, subject to adjustment in certain events. If, after December 8, 1984, the Common Shares have traded at a price in excess of 125% of the prevailing conversion price for a specified period, the Bank shall have the right, upon notice, to convert the Second Preferred Shares Series A into Common Shares at the prevailing conversion price. No additional payment will be required from the holders of Second Preferred Shares Series A so converted. However, during the notice period, a holder of Second Preferred Shares Series A will continue to have the right to convert, at his option, each Second Preferred Share Series A into one Common Share upon the payment of $5 per share converted. Commencing January 1, 1989, the Bank has undertaken to purchase in each calendar quarter 1% of the shares, outstanding as of December 10, 1988 if available, at prices not exceeding $25 per share. The Second Preferred Shares Series A are retractable at the option of the holder on or before November 9, 1988 at a price of $28.75 per share.

(4) On February 17, 1983, with the approval of the Minister of Finance, the authorized Common Shares of $1 par value were changed into Common Shares without nominal or par value. As a result of this change, $448,833,000 of Contributed Surplus arising from issues of Common Shares was transferred to Capital Stock and $3,946,000 of Contributed Surplus arising from purchases for cancellation of Preferred Shares was transferred to Retained Earnings.

As at October 31, 1983, Common Shares were reserved for possible issuance as follows:	Number (in thousands)
– Under the Shareholder Dividend and Share Purchase Plan	24,167
– Upon conversion of the July 22, 1991 debentures	2,857
– Upon conversion of the December 9, 1991 debentures	8,667
– Upon conversion of the Second Preferred Shares Series A	8,400
– Upon exercise of the Common Share Warrants	7,500
	51,591

13. Pension Plan

The Bank has an employee pension plan which is available to all employees after five years service or at age 25 on a contributory or a non-contributory basis.

Total pension expense, which includes amortization of past service costs over the average future service lives of employees, aggregated $23,444,000 for the year ended October 31, 1983 (1982 – $20,836,000).

An actuarial valuation of the pension fund is performed at least every three years. As at January 1, 1983, the date of the latest valuation, the pension plan was fully funded. Unamortized past service pension contributions of $53,640,000 as at October 31, 1983 (1982 – $59,360,000) are included in "Other assets" and are being charged to income over periods through to 1993.

14. Commitments and Contingent Liabilities

In the normal course of business the Bank undertakes various commitments and has contingent liabilities which are not reflected in the financial statements. These include commitments to extend credit, forward foreign exchange contracts and guarantees and letters of credit. Management does not anticipate any material losses to result from these transactions.

Outstanding amounts in respect of guarantees and letters of credit are as follows:

	1983	1982
Guarantees (including $20,300,000 to associated corporations, 1982 – $42,904,000)	$2,050,329	$1,729,985
Letters of credit	1,545,167	1,690,633
	$3,595,496	$3,420,618

Minimum future rental commitments for buildings under long-term non-cancellable leases for the next five years are:

1984	$59,744
1985	56,540
1986	50,705
1987	45,284
1988	38,837

Annual rental commitments after 1988 are in decreasing amounts. Rental expense for buildings for the year ended October 31, 1983 was $90,212,000 (1982 – $88,541,000).

Various legal proceedings are pending against the Bank and its subsidiaries. Management considers that the aggregate liability, if any, resulting from these proceedings will not be material.

15. Domestic and International Operations

The Bank considers its Domestic Operations to include all business transacted in Canada, regardless of currency, with the exception of the Canadian-based activities of International Money Markets. This unit, together with the Bank's business carried on outside Canada, comprises International Operations. While it is not practicable to make a definitive division of its Domestic and International Operations, appropriate allocations are made for (a) the cost of funds related to liquidity and capital computed on the basis of marginal costs of funds, and (b) corporate non-interest expenses.

	Domestic		International		Total	
	1983	1982	1983	1982	1983	1982
Net interest income – financial statement basis	$ 1,730,322	$ 1,196,187	$ 472,542	$ 569,081	$2,202,864	$ 1,765,268
Add: Taxable equivalent adjustment*	201,828	299,208	22,944	31,992	224,772	331,200
Net interest income – taxable equivalent basis	1,932,150	1,495,395	495,486	601,073	2,427,636	2,096,468
Provision for loan losses	309,500	258,000	142,500	86,000	452,000	344,000
	1,622,650	1,237,395	352,986	515,073	1,975,636	1,752,468
Other income	488,785	398,782	178,252	184,092	667,037	582,874
	2,111,435	1,636,177	531,238	699,165	2,642,673	2,335,342
Non-interest expenses	1,387,285	1,307,466	358,472	366,408	1,745,757	1,673,874
	724,150	328,711	172,766	332,757	896,916	661,468
Income taxes – including taxable equivalent adjustment*	350,476	166,426	65,296	136,774	415,772	303,200
	373,674	162,285	107,470	195,983	481,144	358,268
Minority interests	–	–	1,151	620	1,151	620
Net income	373,674	162,285	106,319	195,363	479,993	357,648
Average total assets	$56,600,000	$56,000,000	$30,100,000	$32,500,000	$86,700,000	$88,500,000

*The taxable equivalent adjustment represents tax-exempt income earned on certain securities, primarily small business bonds, income debentures and term preferred shares. The gross-up of such income to a taxable equivalent basis permits a uniform measurement and comparison of net interest income.

16. Financial Statements of Mortgage and Leasing Subsidiaries

Royal Bank Mortgage Corporation
(a wholly-owned subsidiary)

Condensed Statement of Assets and Liabilities

(in thousands of dollars)	October 31, 1983	October 31, 1982		October 31, 1983	October 31, 1982
Assets			**Liabilities**		
Mortgage loans	$5,868,454	$3,239,455	Accrued interest and other liabilities	$ 158,126	$ 154,645
Other investments	670,556	109,835	The Royal Bank of Canada	2,282,500	52,869
Other assets	45,405	3,573	Short-term promissory notes	821,636	611,620
			Investment certificates		
			Due within one year	1,586,817	1,388,221
			Due beyond one year	1,450,470	1,002,807
			Long-term debt	2,204	3,682
			Deferred income taxes	24,198	17,606
			Capital stock		
			Preferred	150,000	105,000
			Common	14,800	4,800
			Contributed surplus	60,000	–
			Retained earnings	33,664	11,613
	$6,584,415	$3,352,863		$6,584,415	$3,352,863

Condensed Statement of Income

(in thousands of dollars)	Year Ended October 31, 1983	Year Ended October 31, 1982
Income		
Interest on mortgages	$560,110	$391,960
Interest on investments	33,279	18,154
	593,389	410,114
Expenses		
Interest – The Royal Bank of Canada	48,220	1,739
Interest on short-term promissory notes	102,087	55,188
Interest on investment certificates	350,085	314,084
Interest on long-term debt	291	1,031
Operating expenses	43,192	24,268
	543,875	396,310
Net Income Before Income Taxes	49,514	13,804
Income taxes	15,491	6,437
Net Income	$ 34,023	$ 7,367

16. Financial Statements of Mortgage and Leasing Subsidiaries (cont'd)

RoyLease Limited
(a wholly-owned subsidiary)

Condensed Statement of Assets and Liabilities

(in thousands of dollars)	October 31, 1983	October 31, 1982		October 31, 1983	October 31, 1982
Assets			**Liabilities**		
Receivable under lease agreements	$474,793	$473,490	Accrued interest and other liabilities	$ 26,998	$ 35,064
Amount due under conditional sales agreements	42,003	146,806	Short-term promissory notes	49,337	31,286
Other	1,499	11,921	Long-term debt – The Royal Bank of Canada	19,125	123,400
			Other	300,463	313,786
			Deferred income taxes	60,777	50,094
			Capital stock		
			Preferred	–	28,000
			Common	21,975	21,975
			Retained earnings	39,620	28,612
	$518,295	$632,217		$518,295	$632,217

Condensed Statement of Income

(in thousands of dollars)	Year Ended October 31, 1983	Year Ended October 31, 1982
Income		
Leases	$59,978	$57,309
Conditional sales agreements	15,555	24,450
Other	248	7,530
	75,781	89,289
Expenses		
Interest on short-term promissory notes	4,695	6,804
Interest on long-term debt –		
The Royal Bank of Canada	7,467	22,920
Other	26,173	26,815
Operating expenses	15,335	20,573
	53,670	77,112
Net Income Before Income Taxes	22,111	12,177
Income taxes	10,197	3,483
Net Income	$11,914	$ 8,694

17. Corporations in which the Bank owns more than 10% of the Voting Shares	Principal Office Address	Carrying Value of Voting Shares owned by the Bank	Percent of Voting Shares owned by the Bank
Royal Bank Mortgage Corporation	Montreal, Canada	$108,464	100%
RoyLease Limited	Montreal, Canada	74,603	100
Royal Bank Realty Inc.	Montreal, Canada	100,961	100
Globe Realty Management Limited	Toronto, Canada		100
Royal Bank Export Finance Co. Ltd.	Toronto, Canada	10,000	100
RoyMark Financial Services Limited	Toronto, Canada	117	100
RoyNat Limited	Montreal, Canada	26,295	42
Aetna Financial Services Limited	Montreal, Canada	–	40
Chargex Limited	Montreal, Canada	–	25
The Royal Bank and Trust Company	New York, U.S.A.	152,485	100
Orion Royal Inc.	New York, U.S.A.		100
Banco de San Juan	San Juan, Puerto Rico	42,854	100
RBC Houdstermaatschappij B.V.	Amsterdam, Netherlands	18,333	100
The Royal Bank of Canada (Curaçao) N.V.	Curaçao, Netherlands Antilles		100
The Royal Bank of Canada (France) S.A.	Paris, France		100
RBC Finance B.V.	Amsterdam, Netherlands	49,418	100
Multinational Orion Leasing Holdings N.V.	Amsterdam, Netherlands	4,134	100
Orion Export Leasing Limited	Georgetown, Grand Cayman		100
Orion Leasing Nederland B.V.	Amsterdam, Netherlands		100
Orion Leasing Singapore Pte. Limited	Singapore		100
RBC Management Services B.V.	Amsterdam, Netherlands	1,749	100
Orion Multinational Services Limited	London, England		100
Orion Multinational Services Inc.	New York, U.S.A.		100
The Royal Bank of Canada (Middle East) S.A.L.	Beirut, Lebanon	2,864	55
RBC Australia Holdings Limited	Sydney, Australia	6,873	100
RBC Australia Limited	Sydney, Australia		100
RBC Australia Finance Limited	Sydney, Australia		100
RoyAust Management Limited	Sydney, Australia		100
The Royal Bank of Canada (Asia) Limited	Singapore	20,812	100

17. Corporations in which the Bank owns more than 10% of the Voting Shares (cont'd)	Principal Office Address	Carrying Value of Voting Shares owned by the Bank	Percent of Voting Shares owned by the Bank
RBC Holdings B.V.	Amsterdam, Netherlands	$294,645	100%
Orpac Holdings Limited	Hong Kong		100
The Royal Bank of Canada (Suisse) S.A.	Geneva, Switzerland		100
The Royal Bank of Canada A.G.	Dortmund, Germany		100
Intercontact GMBH	Düsseldorf, Germany		100
Hansische Kaufmannsbank A.G.	Düsseldorf, Germany		100
Bankhaus Bohl & Co.	Freudenstadt, Germany		100
The Royal Bank of Canada (Belgium) S.A.	Brussels, Belgium		100
The Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands		100
RBC Investment Managers Limited	Guernsey, Channel Islands		100
The Royal Bank of Canada Trustees (Jersey) Limited	Jersey, Channel Islands		100
The Royal Bank of Canada Trustees (Guernsey) Limited	Guernsey, Channel Islands		100
RoyCan Trust Company A.G.	Zug, Switzerland		100
The Royal Bank of Canada (Overseas) N.V.	Curaçao, Netherlands Antilles		100
InchRoy Credit Corporation Limited	Hong Kong		70
RoyCan Finanz A.G.	Zug, Switzerland		100
RoyEast Investments Limited	Hong Kong		100
The Royal Bank of Canada Holdings (U.K.) Limited	London, England		100
Libra Bank Limited	London, England		11
The Royal Bank of Canada Trade Finance Limited	London, England		100
RBC Trade Finance Serviços Ltda.	São Paulo, Brazil		100
RBC Trade Finance Inc.	New York, U.S.A.		100
RBC Trade Finance S.A.	Brussels, Belgium		100
The Royal Bank of Canada Forfait Finance Limited	London, England		100
The Royal Bank of Canada Trade Credit Limited	London, England		100
Tennant Guarantee Limited	London, England		100
Tennant OFE S.A.	Paris, France		70
The Royal Bank of Canada Properties (U.K.) Limited	London, England		100
Chancellor Investments Limited	London, England		100
Orion Royal Bank Limited	London, England		100
Orion (Cayman) Limited	Georgetown, Grand Cayman		100
Orion Leasing Holdings Limited	London, England		100
Orion Leasing Limited	London, England		100
Orion Factors Limited	London, England		100
Orion Finance Limited	London, England		100
Orion Pacific Holdings Limited	Hong Kong		100
Orion Royal Pacific Limited	Hong Kong		100
Orion Caribbean Limited	Georgetown, Grand Cayman		100
RBC Systems Limited	London, England		100
Western Trust & Savings Holdings Limited	Plymouth, England		100
Western Trust & Savings Insurance Services Limited	Plymouth, England		100
Western Trust & Savings Limited	Plymouth, England		100

17. Corporations in which the Bank owns more than 10% of the Voting Shares (cont'd)	Principal Office Address	Carrying Value of Voting Shares owned by the Bank	Percent of Voting Shares owned by the Bank
The Royal Bank of Canada International Limited	Nassau, Bahamas	$123,214	100%
Layor C.A.	Caracas, Venezuela		20
Canada International (Cayman) Limited	Georgetown, Grand Cayman		100
R.B.C. Investments Limited	Nassau, Bahamas		100
Banco Internacional S.A.	São Paulo, Brazil		50
Banco Royal Venezolano C.A.	Caracas, Venezuela		20
Banco Royalven Curaçao, N.V.	Curaçao, Netherlands Antilles		36
Favourable Investments Ltd.	Hong Kong		25
Canadian Overseas Development Company Limited	Hong Kong		25
RoyWest Holdings Limited	Nassau, Bahamas		50
RoyWest Investments Limited	Nassau, Bahamas		50
RoyWest Trust Corporation Limited	Nassau, Bahamas		50
The Royal Bank of Canada Representacoes S/C Ltda.	São Paulo, Brazil	455	100
Royal Bank Trust Company (Barbados) Limited	Bridgetown, Barbados	533	100
Royal Bank Trust Company (Guyana) Limited	Georgetown, Guyana	222	100
R.B.C. Bahamas Limited	Nassau, Bahamas	71,755	100
Finance Corporation of Bahamas Limited	Nassau, Bahamas		100
The Royal Bank of Canada (Barbados) Limited	Bridgetown, Barbados		100
RoyMidEast Investments Limited	Athens, Greece		100
RoyMidEast Limited	Georgetown, Grand Cayman		100
RoyCan International Banking Limited	Nassau, Bahamas		100
Bishops International Bank Limited	Nassau, Bahamas		100
Banco Royal Colombiano	Bogotá, Colombia	4,304	49
The Royal Bank of Trinidad and Tobago Limited	Port of Spain, Trinidad	33,465	47
Royal Bank Trust Company (Trinidad) Limited	Port of Spain, Trinidad		47
The Royal Bank Mortgage and Finance Company Limited	Port of Spain, Trinidad		47
General Finance Corporation Limited	Port of Spain, Trinidad		19
The Royal Bank Jamaica Limited	Kingston, Jamaica	5,175	48
Royal Bank Trust Company (Jamaica) Limited	Kingston, Jamaica		48
Computer Service & Programming Limited	Kingston, Jamaica		48
Ouvidor Industria E. Comercio Ltda.	Rio de Janeiro, Brazil	31	50
Caribbean Financial Services Corporation Limited	Bridgetown, Barbados	146	12

The carrying value of voting shares owned 20% or more by the Bank is stated at the Bank's equity in such investments.

Directors

Chairman and Chief Executive Officer
The Royal Bank of Canada

Rowland C. Frazee
Montreal

President and Chief Operating Officer
The Royal Bank of Canada

Allan R. Taylor
Toronto

Vice-Chairman
The Royal Bank of Canada

R.A. Utting
Montreal

Vice-Chairman
The Royal Bank of Canada

H.E. Wyatt
Calgary

Vice-President

W.O. Twaits, C.C.
Toronto

Company Director

Vice-President

***Ian D. Sinclair**
Toronto

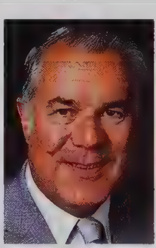
Chairman
Canadian Pacific Enterprises Limited

Directors
as at October 31, 1983

***D. S. Anderson**
Toronto
Chairman
Canada Realties Limited

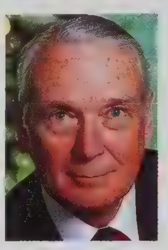
John Anderson
Vancouver
President and Chief Executive Officer
Westcoast Transmission Company Limited

John A. Armstrong
Toronto
Company Director

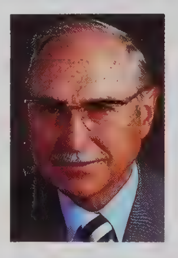


Ian A. Barclay
Vancouver
Chairman
British Columbia Forest Products Limited

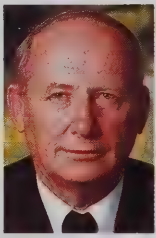
T. J. Bell, M.C., C.D., LL.D.
Toronto
Chairman of the Executive Committee
Abitibi-Price Inc.



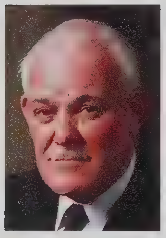
G. H. Blumenauer
Hamilton
Chairman and Chief Executive Officer
Otis Elevator Company Limited



G. Allan Burton, D.S.O., E.D., LL.D.
Toronto
Company Director



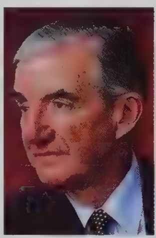
R. B. Cameron, O.C., D.S.O.
New Glasgow
Chairman
Cameron Corporation Limited



Frank B. Common, Jr., Q.C.
Montreal
Partner
Ogilvy, Renault

Camille A. Dagenais
Montreal
Chairman
The SNC Group

Mrs. Mitzi S. Dobrin
Montreal
Executive Vice-President Legal & Corporate Affairs
Steinberg Inc.



Sir Alastair Down, O.B.E., M.C., T.D.
Wiltshire, England
Former Chairman
The Burmah Oil Public Limited Company

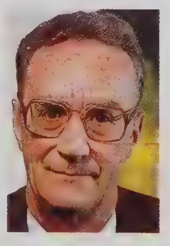
G. Campbell Eaton, O.C., M.C., C.D., LL.D.
St. John's, Nfld.
Managing Director
Newfoundland Tractor & Equipment Co., Ltd.

Jock K. Finlayson
Toronto
Chairman
Royal Insurance Company of Canada

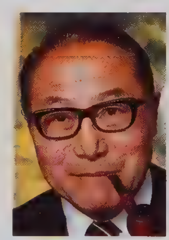
W. D. H. Gardiner
Vancouver
President
W.D.H.G. Financial Associates Ltd.

D.R. Getty
Edmonton
President
D. Getty Investments Ltd.

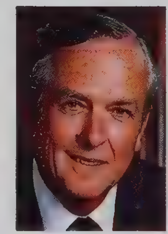
Charles H. Knight
Regina
President and Chief Executive Officer
Denro Holdings Ltd.



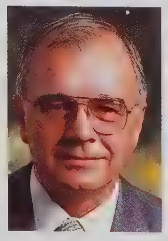
Walter F. Light
Mississauga
Chairman and Chief Executive Officer
Northern Telecom Limited



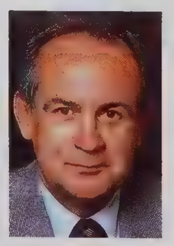
Tong Louie
Vancouver
President and Chief Executive Officer
H.Y. Louie Co. Limited



P. L. P. Macdonnell, C.M., Q.C.
Edmonton
Partner
Milner & Steer



J. D. Maclennan
Vancouver
Chairman of the Board
Canadian Dredge and Dock Company Limited



Clifford S. Malone
Toronto
Vice-Chairman
United Corporations Limited

***F. C. Mannix**
Calgary
Company Director

J. Pierre Maurer
New York
Executive Vice-President
Metropolitan Life Insurance Company

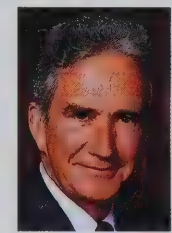
John R. McCaig
Calgary
Chairman and Chief Executive Officer
Trimac Limited

D. K. McIvor
Toronto
Chairman and Chief Executive Officer
Imperial Oil Limited

Mrs. Dawn R. McKeag
Winnipeg
President
Walford Investments Ltd.

W. Earle McLaughlin
Montreal
Former Chairman of the Board
The Royal Bank of Canada

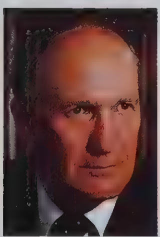
J. W. E. Mingo, Q.C.
Halifax
Barrister
Stewart MacKeen & Covert



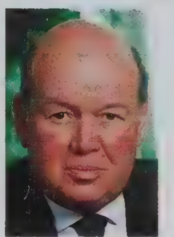
Pierre A. Nadeau
Montreal
Chairman of the Board
Tioxide Canada Inc.

Paul Paré
Montreal
Chairman and Chief Executive Officer
Imasco Limited

Neil F. Phillips, Q.C.
Montreal
Partner
Phillips & Vineberg



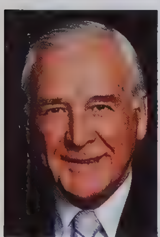
Herbert C. Pinder
Saskatoon
President
Saskatoon Trading Company Limited



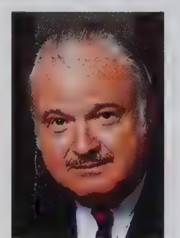
Claude Pratte, Q.C.
Quebec
Advocate

L. Merrill Rasmussen
Englewood, Colorado
President and Chief Executive Officer
Husky Oil Company

Charles I. Rathgeb
Toronto
Chairman
Comstock International Ltd.



A. M. Runciman
Winnipeg
Company Director



P. N. Thomson
New Providence, Bahamas
Chairman and President
West Indies Power Corporation Limited

John A. Tory, Q.C.
Toronto
President
The Thomson Corporation Limited

W. P. Wilder
Toronto
Deputy Chairman
Hiram Walker Resources Ltd.

C. N. Woodward
Vancouver
Chairman of the Board and Chief Executive Officer
Woodward Stores Limited

*Retiring January 12, 1984

Executive Officers

Executive Officers
Chairman & Chief Executive Officer
Rowland C. Frazee
President & Chief Operating Officer
A.R. Taylor (Toronto)
Vice-Chairman
R.A. Utting
Vice-Chairman
H.E. Wyatt (Calgary)
Senior Executive Vice-President Financial Control & Administration
A.H. Michell
Senior Executive Vice-President Domestic Banking
M.J. Regan
Senior Executive Vice-President International and Corporate Banking
R.G.P. Styles (Toronto)

Head Office Management
Executive Vice-Presidents
J.E. Cleghorn (Toronto)
B.D. Gregson
B.V. Kelly (Toronto)
R.C. Paterson (Toronto)
Senior Vice-Presidents
N.C. Achen (Toronto)
G.C. Aitken (Toronto)
W.C. Bull
G.J. Feeney
L.E. Gillmoure
E.L. Grosland (Toronto)
H.S. Hardy
W.A.R. MacDonald
W.C.C. Mackay (Toronto)
W.J. MacKay
V.G. McKay (Toronto)
E.P. Neufeld
J.C. Sinclair (Toronto)
J.G. Stabback (Calgary)
P.A. Taylor (Toronto)
J.M. Walker (Calgary)
A.A. Webb (Toronto)
Senior Vice-President & Comptroller
D. D'Alessandro

Vice-Presidents
R.W. Baguley
M.A. Brennan
J.T. Burnett
W.P. Carter
B.D. Champion
J.P. Clarke
M.A. Corlett (Toronto)
C.J. Coveyduck
J. Driedger
G.E. Farrow (Toronto)
E.D. Ferguson (Toronto)
W.R. Fithern
J.M. Froese (Toronto)
B.C. Galloway (Toronto)
R. Gazard (Toronto)
D.L. Glasgow
J.C. Grant
D.D.E. Grier
B.P. Griffiths (Toronto)
J.R. Groves (Toronto)
K.W. Harrison (Calgary)
G.R. Heckman (Toronto)
A.J. Hogan
R.W. Hoke (Toronto)
R.G. Hunkin
J.G. Johnston (Toronto)
A.R. Kuhlmann (Toronto)
E.J. Lundy
F.G. MacDonald
J.K. MacKay
C.G. MacKenzie
B.C. Marshall (Toronto)
B.D. Marshall (Toronto)
H.D. McRorie (Winnipeg)
J.A. Milburn
K.J. Morrison (Toronto)
M.A. Nicolai (Toronto)
J.V. Oram (Toronto)
P.A. Palmer (Toronto)
N.L. Rapkin
R.L. Spicer
H.C. Stewart
E.G. Stone
G.G. Tallman (Calgary)
G.C. Tibbatts
P.H. Tucker
K.A. von dem Hagen (Toronto)
B.G. Wallace (Toronto)
J.C. Walz (Toronto)
G.W. Wheeler
K.G. Wilson
Vice-President & Chief Inspector
D.F. W. Bruce
Vice-President & Secretary
R.J. Moores

Field Management
Senior Vice-Presidents & General Managers
R.B. Ashforth (Calgary)
H.G. Buckrell (Halifax)
W.D. Henry (Toronto)
G.J. Johnson (New York)
J.G. Macpherson (Vancouver)
R.A. Masleck (London, England)
J.B. McDonald (Winnipeg)
F.P. Paradis (Montreal)
J.N.T. Rednall (Hong Kong)
R.B. Robertson (Regina)
P.J. Rossiter (London, England)
C.P. de Souza (Coral Gables, Florida)
A. de Takacsy (Paris, France)
Senior Vice-Presidents
M.C.S. Baptista (Toronto)
W.J. Gorman (Toronto)
N.H.P. Hardinge (London, England)
W.N. McFadyen (New York)
M.O.P. Morrison (Toronto)
W.J.H. Nimmo (Toronto)

Vice-Presidents
J.D. Anderson (San Francisco)
W.D. Anderson (Winnipeg)
D.M. Baxter (Calgary)
J.P. Béland (Montreal)
J.P. Bélanger (Montreal)
R.G. Bernard (Montreal)
J.G. Bisaillon (Montreal)
T.W. Bleackley (Vancouver)
N. Brewis (Hong Kong)
V.A. Brown (Coral Gables, Florida)
J.H.G. Camiré (Montreal)
A.M. Channell (Coral Gables, Florida)
W.B. Cockburn (Calgary)
A.E. Colling (Toronto)
J.D. Davison (Toronto)
W.R. Dinwoodie (Chicago)
W.D. Dobson (Ottawa)
B.W. Dorset (Calgary)
K.W. Doupe (Toronto)
J.B. Easton (Toronto)
L.G. Edmonds (Vancouver)
V.T. Forster (New York)
G.F. Gaffney (Vancouver)
J. Garon (Montreal)
L.K. Gieck (Calgary)
W.H. Gilbert (Toronto)
J.R. Glahome (Coral Gables, Florida)
W.J. Grace (Toronto)
B.M. Gray (Paris, France)
J.A.R. Guay (Montreal)
R.F. Gulliford (Toronto)
R.F. Hemeon (Vancouver)
J.E. Henry (Calgary)
P.H. Hofmann (Paris, France)
J.E. Johannesson (Toronto)
A.L. Johnson (London, Ontario)
J.D. Johnstone (Toronto)
A.J.P. Joss (Toronto)
V.E. Keating (Vancouver)
K.N. Kikano (London, England)
D.N. Kitchen (Calgary)
R.G. Laliberté (Los Angeles)
R.P. Lasnier (Montreal)
E.W. Latimer (Hamilton)
J.Y. Lawrie (Hong Kong)
K.A. Littlewood (Calgary)
G.D. Loewen (Montreal)
I.A. MacKay (London, England)
W.D. Marble (Edmonton)
A.A. McArthur (Houston, Texas)
W.J. McCartney (Calgary)
E.R. McCutcheon (New York)
H.R. McLean (Toronto)
J.M. Messmer (Toronto)
S.A. Middaugh (Halifax)
W.T. Moodie (New York)
W.R. Penner (Toronto)
J.E.G. Perron (Quebec City)
H.A. Philpott (Regina)
M.D. Pollock (Vancouver)
A.L. Pottle (Halifax)
J.H. Prenger (London, England)
D.L. Robertson (London, England)
M.J. Ross (New York)
D.R. Séguin (Montreal)
K.A. Smee (Toronto)
R.J. Sutherland (Toronto)
J.K. Talbot (Coral Gables, Florida)
A.L. Tower (Toronto)
R.E. Travis (Winnipeg)
M.L. Turcotte (Montreal)
J.A.W. Van Slyck (Toronto)
W.C. Watt (Regina)
D.C. Williamson (Vancouver)

Board Committees

The five standing committees of the Board of Directors of The Royal Bank of Canada, as listed below, have the responsibility of maintaining integrity and sensitivity within the major areas of activity of the Bank, consistent with the strategic development goals of the corporation.

The Loan Policy Committee sustains an advisory role with regard to the lending policies and practices of the Bank.

Chairman: P.N. Thomson.
Members: . F.B. Common, Jr., R.C. Frazee, P.L.P. Macdonnell, J.D. Maclennan, C.S. Malone, W.E. McLaughlin, A.M. Runciman, W.O. Twaits, R.A. Utting.

The Loan Policy Committee reviews and monitors the application of credit policy to ensure prudent risk management and consistent strategic planning. Loans of magnitude exceeding the generally acceptable percentage of capital, and those involving unusual circumstances are studied by the committee prior to management approval. Loans to directors and employees are approved by this group and, as required by the Bank Act, are reported to the Board of Directors. Finally, subject to the provisions of the Bank Act, administrative matters of an urgent nature may be referred to this committee for approval prior to subsequent review by the following meeting of the Board.

The Committee meets regularly, twice a month, in addition to policy meetings and reports its activities to the Board with appropriate recommendations, desirable in the circumstances.

The Audit Committee assumes the responsibility of reviewing the audited annual financial statements and internal control procedures of the Bank, and of ensuring that disclosure of accurate, reliable data is made to interested parties.

Chairman: N.F. Phillips.
Members: I.A. Barclay, G.H.Blumenauer, G.A. Burton, R.B. Cameron, H.C. Pinder.

The Audit Committee, through meetings with shareholders' auditors, Chief Inspector and periodic reviews of internal control procedures and accounting practices of the Bank, ensures compliance with the law and avoidance of conflicts of interest. Management information systems development and revisions to accounting practices are also subject to review by this committee.

The committee meets as required at least twice annually. It reports to the Board of Directors on its activities, particularly its review of the Bank's financial statements and on the nomination and remuneration of auditors.

The Nominating Committee, under given criteria governing the overall composition of the Board, is elected to recommend suitable candidates for appointment as directors.

Chairman: Mrs. M. Dobrin.
Members: W.D.H. Gardiner, J.R. McCaig, P. Paré, C. Pratte, C.N. Woodward.

The Nominating Committee, under guidelines established to sustain Board composition, reviews and recommends areas of representation which are complementary to the Bank's strategic development goals. The committee further seeks to identify candidates who are able and willing to participate in the diverse scope of the Royal Bank's activities.

The committee meets at least semi-annually and is required to report to the Board of Directors at least once each fiscal year.

The Personnel and Compensation Committee, in an advisory capacity, reviews and monitors Personnel policies, management development program and total compensation practices of the Bank.

Chairman: I.D. Sinclair.
Members: J.A. Armstrong, W.F. Light, J.P. Maurer, J.A. Tory, W.P. Wilder.

The Personnel and Compensation Committee is charged with periodic reviewing of the Bank's long range plans and policies for recruiting developing and motivating personnel. Compensation practices and management succession are areas of regular review and approval of remuneration of the Bank's most senior executive staff is required of this committee.

The committee is required to submit to the Board of Directors a report on its activities and any recommendations it deems appropriate.

The Public Policy Committee reviews the Bank's public posture to ensure that its operations remain consonant with the changing values and expectations of society.

Chairman: Mrs. D.R.McKeag.
Members: C.A. Dagenais, G.C. Eaton, D.R. Getty, T. Louie, P.A. Nadeau, L.M. Rasmussen, C.I. Rathgeb.

The Public Policy Committee acts in an advisory capacity to the Board of Directors in areas relating to the Bank's overall interaction with its various key publics. Studies of the Bank's efforts to ensure ethical and socially responsible business conduct, corporate responsibility by way of both human resource and financial contributions, and the appropriateness of Public Affairs considerations as related to the Bank's strategic goals, form the key elements of this committee's functional mandate.

Reports and recommendations are made annually to the Board of Directors, subsequent to at least two meetings of the committee during the fiscal year.

The Royal Bank of Canada Group Global Network

Head Office
1 Place Ville Marie
P.O. Box 6001
Montreal, Quebec
Canada H3C 3A9

Canadian Field Headquarters

Atlantic Provinces
5161 George Street
P.O. Box 1147
Halifax, Nova Scotia
B3J 2Y1
Senior Vice-President and General Manager
H.G. Buckrell
142 branches
(New Brunswick–31,
Newfoundland–20,
Nova Scotia–85,
Prince Edward Island–6)

Quebec
5 Place Ville Marie
P.O. Box 6001
Montreal, Quebec
H3C 2A9
Senior Vice-President and General Manager
F.P. Paradis
206 branches
(Quebec–205,
Northwest Territories–1)

Ontario
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
M5J 2J5
Senior Vice-President and General Manager
W.D. Henry
546 branches

Manitoba
220 Portage Avenue
Winnipeg, Manitoba
R3C 2T5
Senior Vice-President and General Manager
J.B. McDonald
100 branches

Saskatchewan
2010-11th Avenue
Regina, Saskatchewan
S4P 3A2
Senior Vice-President and General Manager
R.B. Robertson
113 branches

Alberta
335 Eighth Avenue S.W.
Calgary, Alberta
T2P 2N5
Senior Vice-President and General Manager
R.B. Ashforth
167 branches
(Alberta–165,
Northwest Territories–2)

British Columbia
1055 West Georgia Street
Vancouver, British Columbia
V6E 3S5
Senior Vice-President and General Manager
J.G. Macpherson
182 branches
(British Columbia–181,
Yukon–1)

Domestic Subsidiaries and Affiliates

Royal Bank Export Finance Co. Ltd.
Royal Bank Venture Capital Limited
Royal Bank Plaza
200 Bay Street
13th Floor, South Tower
Toronto, Ontario
M5J 2J5

Royal Bank Mortgage Corporation
Royal Bank Realty Inc.
RoyLease Limited
1 Place Ville Marie
P.O. Box 6001
Montreal, Quebec
H3C 3A9

RoyNat Ltd.
620 Dorchester Boulevard West
Montreal, Quebec
H3B 1P2

International Field Headquarters

Asia Pacific
18th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
G.P.O. Box 3302
Hong Kong
Senior Vice-President and General Manager
J.N.T. Rednall

Continental Europe
3, rue Scribe
75009 Paris
France
Senior Vice-President and General Manager
A. de Takacsy

Latin America & Caribbean
2199 Ponce de Leon Boulevard
Coral Gables, Florida 33114
U.S.A.
Senior Vice-President and General Manager
C.P. de Souza

Middle East & Africa
99 Bishopsgate
London EC2M 3XQ
England, United Kingdom
Senior Vice-President and General Manager
R.A. Masleck

U.K., Ireland & Nordic Countries
99 Bishopsgate
London EC2M 3XQ
England, United Kingdom
Senior Vice-President and General Manager
P.J. Rossiter

U.S.A.
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055
U.S.A.
Senior Vice-President and General Manager
G.J. Johnson

World Corporate Banking Field Headquarters

Canada
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
M5J 2J5
Senior Vice-President
W.J.H. Nimmo

Europe
99 Bishopsgate
London EC2M 3XQ
England, United Kingdom
Senior Vice-President
The Viscount Hardinge

U.S.A.
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055
U.S.A.
Senior Vice-President
W.N. McFadyen

International Business Units

Antigua
Branch

25-26 High Street At Market
P.O. Box 252
St. John's

Argentina
Main Branch and Regional Office

Florida 202 (Esq. Cangallo)
Casilla de Correo 1899
Buenos Aires
(2 other branches/ sub-branches in Buenos Aires)

Representative Office

Florida 234–2nd Floor
P.O. Box 1899
Buenos Aires

Australia
Representative Office

10th Floor
151 Macquarie Street
Sydney, N.S.W. 2000

Subsidiaries

RBC Australia Limited
RBC Australia Finance Limited
10th Floor
151 Macquarie Street
Sydney, N.S.W. 2000

Bahamas
Regional Office

Beaumont House
327 Bay Street
P.O. Box N-7549
Nassau, N.P.

Main Branch

P.O. Box N-7537
323 Bay Street
Nassau, N.P.
(15 other branches/ sub-branches in Bahamas)

Subsidiaries

Finance Corporation of Bahamas Limited
Frederick House
Frederick Street
P.O. Box N-3038
Nassau, N.P.

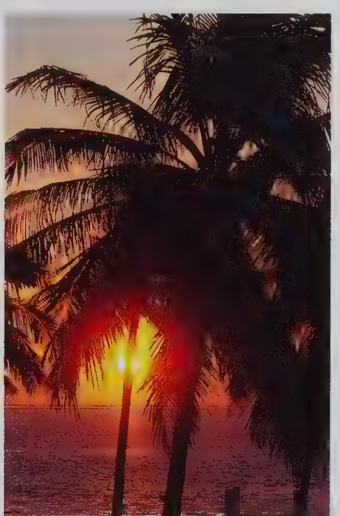
The Royal Bank of Canada International Limited
Beaumont House
P.O. Box N-3024
Nassau, N.P.

Affiliate

RoyWest Trust Corporation (Bahamas) Limited
West Bay Street
P.O. Box N-7788
Nassau, N.P.

Bahrain
Representative Office

P.O. Box 20461
Kanoo Towers, 7th Floor
Manama



Barbados
Main Branch and Regional Office

P.O. Box 68
Broad Street
Bridgetown
(5 sub-branches in Barbados)

Subsidiaries

The Royal Bank of Canada (Barbados) Limited
Trident House
Lower Broad Street
P.O. Box 1022
Bridgetown

The Royal Bank Trust Company (Barbados) Limited
Trident House
Lower Broad Street
P.O. Box 626C
Bridgetown

Belgium
Subsidiaries

The Royal Bank of Canada (Belgium) S.A.
RBC Trade Finance S.A.
Rue de Ligne 1
B-1000 Bruxelles

Belize
Branch

60 Market Square
P.O. Box 364
Belize City
(5 other branches in Belize)

Brazil
Representative Office

The Royal Bank of Canada Representaçoes S/C Ltda.
Av. Paulista 949 C.J. 121
01311 São Paulo

Subsidiary

RBC Trade Finance Serviços Ltda.
Rua Boa Vista 208
14° Andar
01014 São Paulo

Affiliate

Banco Internacional S.A.
Caixa Postal 8065
Rua 15 de Novembro 240
01000 São Paulo

Cayman Islands
Branch

P.O. Box 245
Grand Cayman

Affiliate

RoyWest Trust Corporation (Cayman) Limited
P.O. Box 707
Grand Cayman

Channel Islands
Subsidiaries

RBC Investment Managers Limited
P.O. Box 246
Ann's Place
St. Peter Port, Guernsey

The Royal Bank of Canada (Channel Islands) Limited
The Royal Bank of Canada Trustees (Guernsey) Limited
The Royal Bank of Canada Trustees (Jersey) Limited
P.O. Box 48
St. Julian's Avenue
St. Peter Port, Guernsey

China (People's Republic of)
Representative Office

Room 5088, Beijing Hotel
Beijing

Colombia
Affiliate

Banco Royal Colombiano
Apartado Aéreo 3438
Bogotá

Commonwealth of Dominica
Branch

Bayfront
P.O. Box 144
Roseau

Dominican Republic
Main Branch and Regional Office

Avenida 27 de Febrero
Esquina Winston Churchill,
Apartado 1440
Santo Domingo
(13 other branches/ sub-branches in Dominican Republic)

Egypt
Representative Office

10th Floor
Abu El Feda Office Building
Abu El Feda Street
Zamalek
Cairo

France
Branch

3, rue Scribe
75009 Paris

Representative Office

11 bis, rue Scribe
75009 Paris

Subsidiaries

The Royal Bank of Canada
(France) S.A.
3, rue Scribe
75440 Paris
Cedex 09

Tennant-OFE S.A.
91, rue Saint-Lazare
75009 Paris

Germany (Federal Republic of)
Subsidiaries

The Royal Bank of Canada
A.G.
P.O. Box 255
Westenhellweg 22-24
D-4600 Dortmund 1

Bankhaus Bohl + Co.
(Bohl Bank)
P.O. Box 164
Strassburger Strasse 17
D-7290 Freudenstadt

Greece
Subsidiary

RoyMidEast Limited
Leoforas Kifissias 38
Paradissos Amaroussion
Athens

Guyana
Main Branch and Regional Office

38-39 Water Street
P.O. Box 10440
Georgetown
(4 other branches/
sub-branches in Guyana)

Subsidiary

Royal Bank Trust Company
(Guyana) Limited
110 Regent & Camp Streets
P.O. Box 10440
Georgetown

Haiti
Main Branch

Rue Magasin de L'Etat & rue
des Miracles No. 12
P.O. Box 1315
Port-au-Prince
(1 other branch in
Port-au-Prince)

Hong Kong
Branch

18th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
G.P.O. Box 3302
Hong Kong

Subsidiaries

InchRoy Credit Corporation
Limited
3908 Windsor House
311 Gloucester Road
P.O. Box 31386
Causeway Bay

Orion Royal Pacific Limited
28th Floor
Alexandra House
16-20 Chater Road

Jamaica
Affiliates

The Royal Bank Jamaica
Limited
Royal Bank Building
30/36 Knutsford Blvd.
P.O. Box 612
Kingston
(14 other branches in Jamaica)

Royal Bank Trust Company
(Jamaica) Limited
Royal Bank Building
30/36 Knutsford Blvd.
P.O. Box 622
Kingston

Japan
Branch

14th Floor
Hibiya Kokusai Building
2-2-3 Uchisaiwai-Cho
Chiyoda-Ku
C.P.O. Box 1709
Tokyo 100

Korea
Branch

Kyobo Building
7th Floor
1-1 1-Ka, Chongro
Chongro-Ku
C.P.O. Box 5374
Seoul

Lebanon
Subsidiary

The Royal Bank of Canada
(Middle East) S.A.L.
Immeuble Hanna Ghantous
& Sons
First Floor
Dora, Beirut

Mexico
Representative Office

Apartado Postal 6-1020
Hamburgo 172
Piso 5
Mexico 6 D.F.

Montserrat
Branch

Parliament Street
P.O. Box 222
Plymouth

Netherlands
Subsidiaries

RBC Finance B.V.
RBC Holdings B.V.
RBC Houdstermaatschappij
B.V.
RBC Management Services
B.V.
Keizersgracht 604
1017 EP Amsterdam

Orion Leasing Nederland B.V.
Herengracht 489
1017 BT Amsterdam

Netherlands Antilles
Subsidiaries

The Royal Bank of Canada
(Curaçao) N.V.
The Royal Bank of Canada
(Overseas) N.V.
Kaya Flamboyant No. 5
Plaza Rooi Catootje
P.O. Box 3468
Willemstad
Curaçao

Panama
Branch

Avenida Manuel Maria Icaza
No. 7
Apartado H
Panama 5

Puerto Rico
Main Branch and Regional Office

255 Ponce de Leon Avenue
P.O. Box 819
Hato Rey
(5 other branches in
Puerto Rico)

Subsidiary

Banco de San Juan
Banco de San Juan Tower
654 Munoz Rivera Avenue
Hato Rey

St. Kitts
Branch

Fort & Bay Roads
P.O. Box 91
Basseterre

St. Lucia
Branch

Boulevard & Laborie Streets
P.O. Box 280
Castries

St. Vincent
Branch

No. 81 South River Road
P.O. Box 118
Kingstown

Singapore
Branch

PIL Building
140 Cecil Street #01-00
Singapore 0106

Subsidiary

The Royal Bank of Canada
(Asia) Limited
PIL Building
140 Cecil Street #16-00
Singapore 0106

Spain
Representative Office
Paseo de la Castellana 51.3
Madrid 1

Switzerland
Subsidiary
The Royal Bank of Canada (Suisse)
Rue Diday 6
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Royal Bank Trust Company (Trinidad) Limited
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The Royal Bank Mortgage and Finance Company Limited
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The Royal Bank of Canada Forfait Finance Limited
The Royal Bank of Canada Trade Finance Limited
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The Royal Bank of Canada Holdings (U.K.) Limited
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Shareholder and Debentureholder Information

Stock Exchange Listings

Canada: Montreal, Toronto, Vancouver, Winnipeg and Alberta Stock Exchanges

U.K.: London Stock Exchange

Transfer Agent and Registrar

Canada: Montreal Trust Company of Canada – Montreal, Quebec; Toronto, Ontario; Halifax, Nova Scotia; Winnipeg, Manitoba; Regina, Saskatchewan; Calgary, Alberta; Vancouver, British Columbia.

U.K. Co-Agent: The Royal Bank of Canada, London, England.

Shareholder Dividend and Share Purchase Plan

Shareholders of record who own Common and/or preferred shares through enrolment in the Plan may elect to receive their dividends in the form of new Common Shares (Stock dividends) or to reinvest their cash dividends in new Common Shares. In both instances, the price of the new Common Share is 95 per cent of the average market price determined at the time of the dividend payment. Participants in the Plan may also make optional cash payments to purchase new Common Shares as frequently as once a month (on the Investment Date) for an aggregate amount up to Cdn. $5,000 per quarterly dividend period at 100 per cent of the average market price.

Further information on the Shareholder Dividend and Share Purchase Plan may be obtained from the Shareholder Services Department at the Bank's corporate headquarters.

Direct Deposit Service

Shareholders and debentureholders may also elect to have their dividends or interest deposited directly into their savings or chequing accounts at most banking institutions in Canada. To arrange please write to Shareholder Services Department at the Bank's corporate headquarters.

Institutional Investor, Broker, Security Analyst Contact

Institutional investors, brokers, security analysts and others desiring financial information about the Bank should contact the Manager, Investor Relations, at the Bank's corporate headquarters.

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Information concerning the Royal Bank and its activities in Canada and abroad may be obtained via any branch of the Bank or from the Public Affairs Department at the Bank's corporate headquarters.

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